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BILL NO.: **HB 439**

TITLE: Income Tax – Carried Interest – Additional Tax

SPONSOR: Delegate Mosby

COMMITTEE: Ways and Means

POSITION: **SUPPORT**

DATE: February 12, 2020

Baltimore County **SUPPORTS** House Bill 439 – Income Tax – Carried Interest – Additional Tax. This bill imposes a 17% State income tax on the distributive share, or pro-rata share of a pass-through entity’s taxable income. However, this tax does not apply if, during the taxable year, at least 80% of the average fair market value of the specified assets of the entity consist of real estate.

Under current rules, taxation of the carried interest is held until profits are realized on the fund’s underlying assets, a loophole which means carried interest is taxed at a lesser rate than ordinary income. Estimates by the Congressional Budget Office suggest that this legislation would increase State tax revenues by over \$40 million a year. This bill potentially offers a financial boost to both the State’s Transportation Trust Fund and Higher Education Investment Fund, a benefit in line with Baltimore County prioritization of education and public transportation.

HB 439 also provides an increase in local highway user revenue funds. Providing aid to local highways is an issue crucial to Baltimore County, and a boost in these funds would provide much-needed transportation support to our residents.

Accordingly, Baltimore County requests a **FAVORABLE** report on HB 439. For more information, please contact Chuck Conner, Chief Legislative Officer, at 443-900-6582.