



HB 357
Income Tax - Pass-Through Entity - Additional Tax
Ways and Means Committee
Position: Unfavorable

Maryland AGC, the Maryland Chapter of the Associated General Contractors of America, provides professional education, business development, and advocacy for commercial construction companies and vendors, both open shop and union. AGC of America is the nation's largest and oldest trade association for the construction industry. AGC of America represents more than 26,000 firms, including over 6,500 of America's leading general contractors, and over 9,000 specialty-contracting firms, all through a nationwide network of chapters. Maryland AGC opposes HB 357 and respectfully urges that HB 357 be given an unfavorable report.

Under HB 357, a tax of 4% is imposed on the distributive share or pro rata share of income distributed to a member of a pass-through entity from the pass-through entity's taxable income that exceeds \$1,000,000.

HB 357 is simply a way to increase the State's revenues, devoid of any justification for singling out the members or partners of pass-through entities as the victims nor for establishing 4% as the penalty imposed for running a successful business. There is nothing in the form of organization adopted by business people that justifies a particular tax treatment. C corporations are no better a form of organization than pass-through entities. Each form serves a purpose, and neither form justifies a targeted tax.

Taxable income of \$1,000,000 or more is not unusual in the construction industry, but it hardly means that the owners are awash in funds. It should not be forgotten that every construction contract puts all of the personal assets of the owners at risk. Fail and the owners can lose their homes, cars, and other property. That is a risk they accept. However, if the owners of these pass-through entities succeed, they are entitled to pay no more tax than other individuals with comparable incomes.

Accordingly, Maryland AGC respectfully urges the Committee to give HB 357 an unfavorable report.

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