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SB0085

February 7, 2024

TO: Members of the Senate Judicial Proceedings Committee

FROM: Nina Themelis, Director of Mayor's Office of Government Relations

RE: Senate Bill 85 – Maryland Limited Cooperative Association Act

POSITION: FAVORABLE

Chair Smith, Vice Chair Waldstreicher, and Members of the Committee, please be advised that the Baltimore City Administration (BCA) **supports** Senate Bill (SB) 85.

SB 85 is directly aligned with Baltimore City's Comprehensive Economic Development Strategy, "Baltimore Together," which delineates sector-specific strategies to invest in social innovation entrepreneurs and bolster the growth of Baltimore City hospitality and creative industries' small businesses. Baltimore Development Corporation (BDC), the City's economic development agency, participates in the Business Assistance Support and Equity (BASE) Network, where many of its partners support SB 85. BDC sees this effort and legislation directly tied to the health and vitality of the small business community of Baltimore City.

A cooperative is a business or nonprofit organization owned and operated by the people who either use or provide its services. Currently the Internal Revenue Service provides special rules for taxing cooperatives under Subchapter T of the Internal Revenue Code. However, these rules apply to taxation from the Federal Government. There are already more than 30 worker cooperatives operating in Maryland. Currently in Maryland, a business entity is taxed as either a pass-through entity or a corporation, making it challenging for Maryland cooperatives to determine their proper tax structure. SB 85 seeks to further define and clarify how worker cooperatives incorporate, pay taxes, get loans, or run their business in compliance with Maryland state law.

SB 85 will also help create pipelines of funding for cooperatives as it can be very difficult to secure outside funding via the traditional avenues. Many banks and investors do not understand the unique nature of worker cooperatives, and a concrete tax structure will facilitate access to capital.

For these reasons, the BCA respectfully requests a **favorable** report on SB 85.