



MARYLAND TECH COUNCIL

TO: The Honorable Guy Guzzone, Chair
Members, Senate Budget and Taxation Committee
The Honorable Paul G. Pinsky

FROM: Martin Rosendale

DATE: March 2, 2020

RE: **OPPOSE** – Senate Bill 216 – *Income Tax – Carried Interest – Additional Tax*

The Maryland Tech Council (MTC) is a collaborative community, actively engaged in building stronger life science and technology companies by supporting the efforts of our individual members who are saving and improving lives through innovation. We support our member companies who are driving innovation through advocacy, education, workforce development, cost savings programs, and connecting entrepreneurial minds. The valuable resources we provide to our members help them reach their full potential making Maryland a global leader in the life sciences and technology industries. On behalf of MTC, we submit this letter of **opposition** for Senate Bill 216.

Senate Bill 216 imposes a 17% State income tax on the distributive share or pro-rata share of a pass-through entity's taxable income that is attributable to investment management services provided in the State. Under the bill, both the management fee and the realized carried interest for partners in an investment fund are likely subject to a 17% tax.

The Maryland Tech Council opposes Senate Bill 216 because it would hurt many of our over 450 life science and technology member companies developing innovative solutions that save, protect, and improve lives. Attracting venture capital to support Maryland businesses has been one of the largest and most successful public/private partnerships in the State. Support from the State legislature and the Governor's office, combined with extraordinary efforts from State industry associations and businesses, have resulted in record investment levels in Maryland businesses. Legislation like Senate Bill 216 threatens that success. Recently, MTC received an email from the Maryland Venture Capital community that contained the following messages:

"I can tell you that a "carry tax" would potentially stifle funds launching in the State and as you know, more scalable risk capital is needed..."

"This (Senate Bill 216) would seriously negatively impact all the efforts that various entities are making in the community (including us) to try to get more of a Venture Capital community into the State."

Maryland cannot afford the setback created by bills that impede venture investment, stall innovation, or inhibit business growth. For the foregoing reasons, MTC urges the Senate Budget and Taxation Committee to give Senate Bill 216 an unfavorable report.

For more information call:

Richard A. Tabuteau
Pamela Metz Kasemeyer
J. Steven Wise
Danna L. Kauffman
410-244-7000