MARYLAND
Chamber of Commerce

LEGISLATIVE POSITION:
Unfavorable
Senate Bill 263
Opportunity Zone Tax Deduction Reform Act of 2020
Senate Budget and Taxation Committee
Wednesday, February 5, 2020

Dear Chairman Guzzone and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 4,500 members and federated partners, and we work to develop and promote strong public policy that ensures sustained economic growth for Maryland businesses, employees and families. Part of that work includes support for sustainable solutions that drive Maryland's future economy, including education, talent pipeline, innovation and economic diversity.

The U.S. Treasury established 149 Opportunity Zones in Maryland as a result of the 2017 Tax Cuts and Jobs Act. This program is designed to provide federal tax incentives for investment in distressed communities over the next 10 years. More than one-third of the established Opportunity Zones in Maryland are in Prince George's County and Baltimore City.

If enacted, SB 263 would require individual and business taxpayers to count capital gains that have been deferred or excluded from their federal adjusted gross income because of investment in a federally recognized Opportunity Zone. Those capital gains would be added to federal adjusted gross income to determine that individual's or business' Maryland adjusted gross income, therefore increasing their Maryland state tax burden.

The Maryland Chamber of Commerce supports any effort to encourage and maintain business development in our state, particularly in those areas most challenged for investment. In the Maryland Department of Commerce's FY 18 annual report, they expected over 900 new jobs to be added in Maryland as a result of the Opportunity Zone program and the investments made by those individuals and businesses. Furthermore, the independent Department of Legislative Services cites SB 263 as having a meaningful negative impact on Maryland's small business community due to declining business investment as a result of the loss of tax benefits. SB 263 threatens the continued investment in Maryland's Opportunity Zones by increasing the costs of doing business and disincentivizing investment. Finally, any expected additions in state revenue as a result of this bill are projected to decrease year over year showing that this add-back initiative is an unreliable revenue vehicle.

For these reasons, the Maryland Chamber of Commerce respectfully requests an **Unfavorable Report** on **SB 263**.

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