gbc POSITION STATEMENT

TESTIMONY PRESENTED TO THE SENATE BUDGET & TAXATION COMMITTEE

SENATE BILL 263 -- OPPORTUNITY ZONE TAX DEDUCTION REFORM ACT OF 2020

February 5, 2020

DONALD C. FRY
PRESIDENT & CEO
GREATER BALTIMORE COMMITTEE

Position: Oppose

The GBC opposes Senate Bill 263, which requires taxpayers investing funds in Opportunity Zones to add to their Maryland taxable income the amount of capital gains that were deferred or excluded under the federal Qualified Opportunity Zones program. The GBC opposes this measure and requests that the tax benefit afforded by the federal Opportunity Zone program be treated as intended without further modifications to Maryland investors. Passage of Senate Bill 263 could make Opportunity Zone investments less attractive to Maryland investors and complicate efforts to make this program beneficial in Baltimore City and the Greater Baltimore region.

The Opportunity Zone benefit, created by the 2017 federal *Tax Cuts and Jobs Act*, was enacted to spur private investment in distressed communities by creating a federal tax incentive for investors in real estate or operating businesses within specified Census Tracts. There are 149 Opportunity Zones in Maryland, 62 of which are in the Greater Baltimore region 42 are located in Baltimore City. Qualified Opportunity Funds can invest in eligible commercial, residential and mixed-used real estate properties and operating businesses located in designated Opportunity Zones. The benefit offered by Opportunity Zones allows investors who reinvest capital gains in a designated census tract to defer or eliminate future capital gains taxes.

The Greater Baltimore Committee supports the Opportunity Zone benefit because it has the potential to create economic opportunity in distressed areas of the State that would benefit from private investment. In particular, Baltimore City has been aggressively seeking Opportunity Zone investments. To increase its prospects for success, Baltimore City had the foresight to create a dedicated Opportunity Zone Coordinator position to ensure a coordinated effort to spur investment. This position is now being created in other cities across the country based on Baltimore City's model.

This bill is inconsistent with two of the key tenets in *Gaining the Competitive Edge: Keys to Economic Growth and Job Creation in Maryland*, a report published by the GBC that identifies eight core pillars for a competitive business environment and job growth:

> **Strategic and effective investments in business growth.** The State must commit to substantive strategic investments, leveraged with capital assets, to nurture business and job growth. Investments should include competitive and effective tax credits, business development incentives, and tactical initiatives to nurture private investments in industry growth.
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> **Government leadership that unites with business as a partner.** Maryland leaders must set a welcoming tone that communicates positive support for business, respect for the private sector as a partner, not an adversary, and reflects a strategic plan for business growth and job creation.

For these reasons, the Greater Baltimore Committee urges an unfavorable report on Senate Bill 263.

The Greater Baltimore Committee (GBC) is a non-partisan, independent, regional business advocacy organization comprised of hundreds of businesses -- large, medium and small -- educational institutions, nonprofit organizations and foundations located in Anne Arundel, Baltimore, Carroll, Harford, and Howard counties as well as Baltimore City. The GBC is a 65-year-old, private-sector membership organization with a rich legacy of working with government to find solutions to problems that negatively affect our competitiveness and viability.