POSITION STATEMENT

TESTIMONY PRESENTED TO THE HOUSE WAYS AND MEANS COMMITTEE

HOUSE BILL 222 -- INCOME TAX RATES - CAPITAL GAINS INCOME

February 12, 2020

DONALD C. FRY
PRESIDENT & CEO
GREATER BALTIMORE COMMITTEE

Position: Oppose

House Bill 222 imposes an additional 1% State income tax rate on the net capital gains included as part of an individual's Maryland taxable income.

The GBC opposes this legislation because it makes Maryland's tax policy inconsistent with surrounding and competitor states. The bill also makes Maryland's tax structure less competitive and more complicated for taxpayers. Perhaps the greatest impact of House Bill 222 is on small businesses that are not registered as corporations but instead are partnerships, S corporations, limited liability companies, and sole proprietorships. House Bill 222 would increase the costs for Maryland's small businesses with net capital gains and harm their ability to compete.

In response to this proposal and a myriad of tax-related legislation pending this session in the Maryland General Assembly, the GBC advocates for the creation of a comprehensive tax commission to study a fair, equitable, and modernized system of taxation. Several bills to create a tax commission are currently pending. The GBC respectfully requests to be a formal member of any commission that may be created by the Maryland General Assembly. Based on need to examine Maryland's tax structure and the urgency for reliable revenue streams that fully fund education reform and other policy priorities, it is the right time for the creation of comprehensive tax commission.

This bill is inconsistent with 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:

> **Tax structure that is fair and competitive.** Maryland's tax policy must be perceived by business as being competitive and devoid of elements that unreasonably target specific businesses or business sectors.
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> **Competitive costs of doing business.** Public policies must reflect a government predisposition to nurture business growth and to avoid arbitrarily or disproportionately imposing additional overhead upon the business sector.

For these reasons, the Greater Baltimore Committee urges an unfavorable report on House Bill 222.

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.