



**LEGISLATIVE POSITION:**

**Unfavorable**

**House Bill 222—Income Tax Rates—  
Capital Gains Income  
House Ways & Means Committee**

**Wednesday, February 12, 2020**

Dear Chairwoman Kaiser 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.

House Bill 222, as presented, would impose an additional 1% state income tax on capital gains income, effective for taxable years beginning after 12/31/19.

Many small businesses in Maryland are organized as pass-through entities. Pass-through entities include sole proprietorships, partnerships and S-corporations. These businesses are not subject to the corporate income tax. Instead, owners are taxed under the individual income tax.

Small businesses are the driving force for job creation in Maryland and make up 92 percent of the State's registered companies. Many small business owners are already feeling the pinch of recent policy changes including the federal Tax Cuts and Jobs Act of 2017 as well as the implementation of state employer mandates.

The additional tax proposed in HB 222 would disproportionately impact small business owners, who typically reinvest earned income back into their companies in order to innovate, expand and create new jobs. These include the businesses organized as pass-through entities as outlined above. Small businesses with net capital gains would be negatively impacted through increased income tax liabilities.

For these reasons, the Maryland Chamber of Commerce respectfully requests an **Unfavorable Report** on House Bill 222.