



TO: The Honorable Anne R. Kaiser, Chair
Members, House Ways and Means Committee
The Honorable Julie Palakovich Carr

FROM: Richard A. Tabuteau
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DATE: February 12, 2020

RE: **OPPOSE** – House Bill 224 – *Opportunity Zone Tax Deduction Reform Act of 2020*

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 House Bill 224.

House Bill 224 requires a person to add back to Maryland adjusted gross income or Maryland modified income the amount of capital gains deferred or excluded under the federal Qualified Opportunity Zones Program. This bill references IRS code section 1400Z-2, which is the deferral of gains for investments in Qualified Opportunity Funds (QOF) investing in Qualified Opportunity Zones. A QOF can buy and sell property and the gain does not have to be recognized until the earlier of the sale of the investment or December 31, 2026. Under this bill, there would have to be reporting on the Maryland K-1 to identify any deferred gains, which could be onerous if the QOF is active in buying and selling.

A fairer way to realize capital gain tax revenue would be to defer the gains until having to be reported on a federal return. Maryland would eventually receive its tax revenue, but the taxpayer would get a deferral and there would be less administrative burden to the QOF. This would still allow the fund to be attractive to invest and to improve certain areas and provide jobs, particularly as it relates to the information technology, cybersecurity, and biotechnology industries. Making the taxpayer pay Maryland tax as they go makes the QOF less attractive to potential investors which also means a QOF may not look to Maryland to invest in our leading industries.

As such, MTC urges the House Ways and Means Committee to oppose House Bill 224.

For more information call:

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