

POSITION STATEMENT OF
INVEST IN MARYLAND COALITION
OPPOSE HB 1628 “Sales & Use Tax – Rate Reduction & Services”

The Invest in Maryland Coalition (ICM) has been formed to oppose HB 1628 and similar legislation aimed at taxing services, including taxes on the financial services industry.

Simply stated, HB 1628 is deeply flawed in many ways:

HB 1628 is an anti-headquarters bill. Taxes on services are complex, nearly impossible to enforce, and this bill would have an unbalanced, outsized impact on businesses operating in Maryland. Any business that consumes services from a Maryland headquarters or Maryland office faces the likelihood of a 5% increase in the cost of hiring law firms, accountants, consultants, bankers, and consuming technology services. These are activities that take place in centers of employment where decision makers locate and businesses grow.

HB 1628 impacts all types of businesses, not just service-oriented. It impacts manufacturers, agribusiness, defense, hospitality, construction, and any other businesses in Maryland that hire service providers. Any business that is mobile and does not want to face a 5% increase in the cost of obtaining services necessary to operate will be incentivized to leave Maryland entirely or move jobs away.

HB 1628 does not consider how growing businesses operate. Brown Advisory, as an example of one of ICM’s members, is like many businesses that have internal service agreements between affiliated divisions in order to efficiently comply with federal tax code. HB 1628 could subject those service payments within our firm to a 5% tax. That outcome is unacceptable.

HB 1628 does not consider the cost of compliance. The clients of financial services businesses may have an unclear nexus to Maryland, multiple owners across jurisdictions, investments in vehicles commingled with non-Maryland residents, and other complicated situations that make compliance difficult and expensive. Maryland will face the same issues in enforcement and will undoubtedly choose to focus its enforcement efforts on firms close to home rather than attempting enforcement against firms serving Marylanders from across the country. Thus, the impact will be felt heaviest on firms in Maryland that employ people here, invest here in offices and real estate, and invest in Maryland communities.

HB 1628 harms ordinary Marylanders. This bill doesn’t just tax wealthy people who can afford to pay an investment advisor. It taxes Maryland residents saving for retirement or college, investing in 401(k) plans, or their employers’ pension plans. Maryland investors in mutual funds, ETFs, REITs will all pay 5% more on fund fees and expenses than investors in every other state. Innovators in financial products and investments will choose to locate outside of Maryland and avoid the complexity of Maryland investors. While Marylanders try to save and invest, this bill would take money out of their pockets.

For these reasons, we urge you to give HB 1628 an unfavorable report. Please help demonstrate that Maryland can still be, despite this bill, a great place for Maryland businesses to invest, thrive and grow.

An Impact Statement from One Member of the Invest in Maryland Coalition –

Brown Advisory is a private, global, independent investment and strategic advisory firm. Its mission is to make a material and positive difference for our clients by delivering a combination of first-class investment performance, strategic advice and the highest level of service. Brown serves individual, family, government, and institutional clients in 50 states and 37 countries.

Brown Advisory is headquartered in Baltimore City. Of our nearly 700 employees globally, more than **400** are employed in our Baltimore office and **50** more are employed in Montgomery County. Brown Advisory has 12 offices outside of Maryland.

Every one of our employees is an owner of our firm. Understanding that is critical to understanding the impact of this tax bill on Brown Advisory. HB 1628 does not just negatively impact a faceless business, it impacts our Maryland clients and every single employee-owner, in every type of role, at all income levels, from executive to entry level.

For an employee-owned firm like Brown Advisory, this bill would directly impact the pockets of all of our employees globally. Our roots are in Baltimore, we have enjoyed growth in Maryland, and our colleagues are involved, generous, faithful members of our community. Each of our 450 Maryland employees contributes to and is deeply involved in non-profits and charities benefitting Maryland. HB 1628 forces us consider whether remaining in Maryland and accepting increased costs that harm our clients and employees is prudent when other states would instead actively pursue our relocation to and investment in their jurisdictions.

For More Information – Mike Johansen, JR Reith, Pat Roddy
410.269.5066

RWL for Invest in Maryland Coalition