

January 20, 2021

The Honorable Guy Guzzone
Chairman, Senate Budget and Taxation Committee
Senate Office Building, 3 West
11 Bladen Street
Annapolis, MD 21401

RE: Opposition of Senate Bill 113 (Opportunity Zone Tax Deduction Reform Act of 2020)

Dear Chairman Guzzone:

The Maryland Building Industry Association (MBIA), representing 100,000 employees of the building industry across the State of Maryland, opposes Senate Bill 113 (Opportunity Zone Tax Deduction Reform Act of 2020).

This bill requires a party 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, thereby making these gains taxable for State income tax purposes.

This measure would harm a valuable Maryland program and slow necessary development in vulnerable communities. The Qualified Opportunity Zones Program was created to stimulate private investment in underinvested communities by providing enhanced incentives for qualifying businesses within an Opportunity Zone. Those incentives include allowing capital gains to be deferred or excluded, which frees up financial resources for the businesses to quickly reinvest in a new project in the same neighborhood. Communities are strengthened and made safer with consistent investment, and the current structure helps businesses have the financial flexibility they need to help with that process.

Removing that taxation benefit removes that financial flexibility, which would slow crucial development and redevelopment in Opportunity Zones. Builders and developers want to be a part of the solution, but it has to make financial sense for the business, which is why the Opportunity Zones Program was created. Passing this measure would essentially disincentivize investment in Opportunity Zones.

Furthermore, this will further create a disincentive for investment in Baltimore. According to the Baltimore Development Corporation, of the 149 Census Tracts in Maryland that are designated as Opportunity Zones by the U.S. Treasury, 42 are in Baltimore City. (See: <http://baltimoredevelopment.com/wp-content/uploads/2018/08/BDC-Opportunity-Zones-Prospectus.pdf> and <http://baltimoredevelopment.com/wp-content/uploads/2018/08/BDC-Opportunity-Zones-Prospectus.pdf>)

For these reasons, MBIA respectfully requests the Committee give this measure an unfavorable report. Thank you for your consideration.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: Senate Budget and Taxation Committee Members