

January, 21, 2021

The Honorable Anne R. Kaiser
Ways & Means Committee
House Office Building, Room 131,
6 Bladen St., Annapolis, MD, 21401

RE: Opposition to House Bill 215 (Income Tax - Carried Interest - Additional Tax)

Dear Chairwoman Kaiser:

The Maryland Building Industry Association, representing 1,100 member firms statewide, appreciates the opportunity to participate in the Income Tax - Carried Interest - Additional Tax. MBIA Opposes the Act in its current version.

MBIA understands the need to raise revenue in the current economic crisis but we are concerned about the unintended consequences of this measure. Many investment services providers diversify their holdings for the sake of financial security and in order to mitigate losses in various sectors. Because of this, most financial services providers do not keep 80% of their assets in a single asset class such as real estate. Because this tax is levied on the performance of the entire portfolio and those costs are likely to be passed on to clients there is little protection for developers since any single portfolio will likely be diversified and there is no tax protection for clients that are real estate developers but utilizing a source of financing that is not unreasonably geared towards real estate.

We argue that if a tax will be levied on portfolio performance and we want to protect real estate assets then we should do so by exempting real estate holdings from the imposed tax, which will mitigate the costs passed on to real estate holders as well as create a tax incentive for more investment into real estate as opposed to other asset classes.

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: Members of the House Ways and Means Committee