



**MARYLAND**  
Chamber of Commerce

**LEGISLATIVE POSITION:**

**Unfavorable**

**House Bill 201**

**Income Tax Rates—Capital Gains Income**

**House Ways & Means Committee**

**Thursday, January 21, 2021**

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 5,000 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 201, as presented, would impose an additional 1% state income tax on capital gains income, effective for taxable years beginning after 12/31/20.

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 were feeling the strain of prior policy changes including the federal Tax Cuts and Jobs Act of 2017 and the implementation of new state employer mandates. With the addition of the abhorrent conditions brought on by the COVID-19 pandemic, small business owners are struggling to keep their doors open and employees on payroll.

The additional tax proposed in HB 201 would disproportionately impact small business owners, who typically reinvest earned income back into their companies to innovate, expand and create new jobs. Any small businesses with net capital gains would be negatively impacted through the increased income tax liabilities set forth in HB 201. As a result of the impacts COVID-19 has had on the small business sector, HB 201 would drive those struggling to survive even closer to the brink of closing their doors, creating additional permanent job loss.

For these reasons, the Maryland Chamber of Commerce respectfully requests an **Unfavorable Report** on House Bill 201.

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