TECHNET
THE VOICE OF THE INNOVATION ECONOMY

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February 9, 2022

The Honorable Senator Guy Guzzone, Chair
Senate Budget and Taxation Committee
Maryland General Assembly
Annapolis, Maryland 21401

Re: TechNet Opposition to SB 361 – Carried Interest Additional Tax

Dear Char Guzzone and members of the Committee:

I write to respectfully express TechNet's strong opposition to SB 361, which would levy an additional 17 percent surtax on any income realized by Maryland-based venture capital (VCs) on startup investment in the State of Maryland.

TechNet is the national, bipartisan network of technology CEOs and senior executives that promotes the growth of the innovation economy by advocating a targeted policy agenda at the federal and 50-state level. TechNet's diverse membership includes dynamic American businesses ranging from startups to the most iconic companies on the planet and represents over four million employees and countless customers in the fields of information technology, e-commerce, the sharing and gig economies, advanced energy, cybersecurity, venture capital, and finance. TechNet has offices in Austin, Boston, Chicago, Denver, Olympia, Sacramento, San Francisco, Silicon Valley, and Washington, D.C.

Despite the pandemic, Maryland saw a staggering 32% increase in new business applications – the largest number of startup applications in the state since the government began tracking the data. During the same time period, VC investment in Maryland companies shattered records, surpassing the $1.26 billion raised in all of 2020 in just three quarters of 2021. This is not coincidental. Venture capital is the catalyst that helps to turn great ideas into innovative new companies.

It is important to note that the tax applied under SB 361 would be in addition to all other state and local taxes VCs already pay, including the tax on capital gains, which includes carried interest. This is particularly punitive as the existing capital gains rate is the same as the corporate interest rate. If SB 361 were to be enacted, VC activity would be taxed at a rate 400 percent higher than other income in the state.

Such a major tax burden would depress the appetite for the long-term and high-risk investment that is necessary to fuel new company formation. With the anticipated reduction in venture fund formation, investment, and new company registration, such a tax may likely be a net loss for the state in terms of revenue, and would undoubtably be a severe hit to the state's leadership position in the startup economy.

We ask that the Committee not advance this legislation. SB 361 would represent a significant self-inflicted wound to a part of the Maryland economy that is thriving and providing new opportunities in every part of the state.

Thank you for your consideration, and please do not hesitate to contact me if I can provide any additional information or assistance.

Sincerely,

Christopher Gilrein
Executive Director, Northeast
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