

Dear Chairwoman Guzzone, Vice-chair Rosapepe and members of the Senate Budget & Taxation Committee:

I would like to thank you for the opportunity to testify before you on SB49, Income Tax – Subtraction Modification – Retirement Income.

My life has been thoroughly shaped by my exposure to the small family business my father started in our basement many years ago. Two of the primary lessons I learned as a youth were the power of discipline and self-reliance. As such, I made it a point to attempt to stay disciplined, emphasis on attempt with the goal of being self-reliant as I became an adult. This led me to start my own grass cutting business in the neighborhood. My first foray into my own small business. Back in those days my father always told me to take my earnings and save them for the future. It is during this stage of my life I was first introduced to IRAs or individual retirement accounts. Now, back in the early 90s, the maximum contribution limit was \$2,000 far less than it is today. But, in subsequent years it has increased to \$6,000. Proof that the need to fund one's own retirement has been interwoven into the Internal Revenue Code or IRC.

I relay this story to you because I have discovered in my work as a tax professional that this story is not that uncommon. There are many kids, now adults that charted similar courses with the same end goal of saving for the future in order to become self-reliant. After the grass cutting business, I eventually went to work for the family business and then after graduate's school a larger accounting firm that offered traditional or qualified retirement plans to its staff.

But, there was a downside. Unfortunately, by virtue of the fact that I opened up an account many years ago on my own and not through an employer sponsored plan it would not be classified as a "Qualified Plan" as defined by code section 401 of the IRC. Therefore, I and many other just like me, would not be eligible to take full advantage of the pension exclusion offered by the State of Maryland when a taxpayer reaches the age of sixty-five. The IRA I opened as a youngster can potentially cause me significant tax burden since I chose to follow my entrepreneurial instincts to leave the traditional firm and go back to running the family firm.

Furthermore, I believe it appropriate to look at some numbers available regarding national employment:

- US Bureau of Labor and Statistics states 10% of the US workforce or nearly 15 million people are self-employed. And, the self-employed hire one out of four workers in the United States
- Less than half of US workers participated in an employer sponsored plan
- Pew Charitable Trust – 35% of workers over the age of 22 don't work for employers that offer qualified retirement plans

Therefore, we can conclude that access to qualified plans is not equally available to all of the employees and/or entrepreneurs of this great land. And, HB 189 helps to remedy some of the inequity that comes from a lack of access. Small businesses and the self-employed often times simply don't have the resources to offer these kinds benefits. Furthermore, retirees don't have the option to rollover their assets into qualified plans.

I support, HB 189 because it allows individuals who were previously in qualified retirement plans the ability to rollover their retirement money into a non-qualified plan without losing the tax characteristics and benefits associated with qualified plans. This rewards people with discipline and self-motivation with the same exclusion available to their counterparts working for larger firms without punishing them for their circumstances. Furthermore, I support this bill because expanding access to the pension exclusion for those citizens who have earned it not only creates equity, but helps to promote the need for retirement security for a large subsection of our society.

I thank you for the opportunity to speak.

Benjamin Brooks, Jr.

Managing-Member of B&R Brooks, LLC