Maryland Society of Accounting & Tax Professionals

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To: Ways and Means Committee

From: The Maryland Society of Accounting and Tax Professionals, Inc.

Re: HB 337 Sponsor: Delegates Palakovich Carr, Charkoudian, Cullison, Ebersole, Grossman, Hill, Ivey, Lehman, R. Lewis, McCaskill, Moon, Ruth, Stewart, Terrasa, Washington, Wells, and Wilkins

Contact Person: Giavante Hawkins, Executive Director

Position: OPPOSE

Income Tax – Capital Gains, Dividends, and Foreign–Derived Intangible Income 2 – Alterations 3

(Investing in Marylanders Act of 2023

The Maryland Society of Accounting and Tax Professionals, Inc. (MSATP), representing the voices of over 2,000 tax and accounting professional members, opposes this bill. As tax and accounting professionals serving over 700,000 Maryland residents, we know many of our retired clients live off dividends and interest from money they saved over a lifetime of working.

HB337 penalizes Maryland residents who diligently saved over the course of their lifetime to provide for their golden years by charging a surtax on their capital gains, dividends, and foreign derived intangible income. This bill discriminates against savers who choose to pay their tax as they go and invested themselves instead of deferring the income into a retirement plan. Consider two taxpayers with the same income – one from dividends and capital gains and the other from IRA or pensions – the former taxpayer will pay more in Maryland taxes.

In addition to the inequity described above, the provision is unnecessarily complicated on many fronts. IRC section 1411 applies a surcharge on certain net investment income above a statutory threshold amount. There is no threshold amount under HB 337 so even $100 of capital gains passed through mutual fund investments would be subject to the additional 1%.

The sale of all business assets is excluded from the surtax under IRC Section 1411 for Federal purposes but only business assets of which are deductible under IRC Section 179 would be excluded from the Maryland 1% tax. If the assets are potentially deductible under IRC Section 179 but the taxpayer chooses to take federal depreciation under IRC Section 167 or 168, are these assets still excluded? The bill references IRC Section 179- but which version applies- IRS' limit or the Maryland decoupling limit, along with other depreciation decoupling provisions?

The provisions herein are complicated and will result in additional resources needed to ensure compliance. The additional cost of administration could possibly outweigh the benefit to the State. The additional complication created herein will increase the difficultly to prepare a Maryland individual income tax return and the cost thereof.

Therefore, we urge an unfavorable report on HB337.