

Senate Bill 766 – Fair Share for Maryland Act of 2024.

Position: Unfavorable

JMI Equity is a Maryland based growth equity investment firm which invests in growing software companies seeking to develop into industry leaders. JMI's business activities create both job opportunities and wealth for many Marylanders, including leading pension and endowment funds.

JMI is strongly opposed to the bill's provisions levying a new 8.25% surtax on pass-through entities, like partnerships, whose income exceeds \$1 million. To be clear, this tax would not only make the General Partners working at JMI uncompetitive with similar businesses in other states, but it would also levy punitive taxes on JMI's Limited Partners who include prominent Maryland universities, endowments, and healthcare systems.

Pension and endowment plans trust their investments with companies like JMI to generate a greater risk-adjusted return than publicly available investments, like the stock market or U.S. Treasuries. However, if this tax were imposed, there would be no pension fund manager who would invest in a Maryland based investment firm like JMI when 8.25% is taken from the fund's investment gain. The workers and students served by JMI's limited partners would be severely burdened by this tax. It would be financial malpractice for a fund manager to make such an investment.

Maryland would be the only state in the country that imposes an 8.25% tax on the income of all partners – who already are taxed on their income like all other Maryland income earners. A tax like this would force many private equity, finance, accounting, attorneys, and other similar services -- that can easily relocate -- to other states. These companies would not be able to compete for the talent that powers their success.

Finally, such a tax will not realize the projected revenue. Its impact will only drive economic growth and the state tax revenue it generates outside of Maryland thereby putting even more pressure on state budgets. For these reasons, JMI encourages an unfavorable report.

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