



Senate Bill 766 – Fair Share for Maryland Act of 2024

Position: Unfavorable

Brown Advisory is a private, independent investment and strategic advisory firm based in Baltimore, Maryland. Brown Advisory provides investment solutions to individuals, families and institutions in all 50 U.S. states and in 44 countries and territories around the world.

Brown Advisory is opposed to SB 766 and the punitive taxes it will impose on Brown's traditional investor base and work colleagues. Under this legislation, the 8.25% pass-through entity surtax will make the top combined state and local income tax rate 17.2%. This would be one of the highest in the country exceeding even California and New York City rates (13.3% and 14.7% respectively). And that calculation does not include the increase in top income tax rates included in the bill.

Brown Advisory is also concerned about the unfair impacts the taxes have on businesses based on how they are organized. Brown has been a private, independent and colleague-owned firm since 1998. Our colleagues live in every part of Maryland and each one is an equity owner. Moreover, no one individual owns more than 5% of the company. Because Brown Advisory's equity owners operate as a flow-through entity, the 8.25% surtax will put Brown Advisory at a disadvantage relative to competitors operating in corporate form where ownership is less accessible to employees. Maryland policy should not disadvantage local companies working to diversify ownership and expand equity positions for company workers.

Finally, SB 766 makes the following changes which will hurt many of our clients:

- Increasing the top tax rate for MD state income tax from 5.75% to 7%, and making other bracket modifications
- Adding a 1% surtax on capital gains
- Reducing the estate tax lifetime exclusion amount from \$5M to \$1M decoupling this rate even further from the federal exclusion

The taxes included in this legislation impact the ability of a firm like Brown Advisory to compete with similar firms nationwide in terms of offering competitive compensation to our colleagues and hurt our investors working to build wealth for retirement, pension funds, and many other worthy goals. Importantly, Brown Advisory's compensation approach allows us to recruit high quality talent from around the country to move to Baltimore and Maryland for high paying jobs, which has enhanced the population and tax base.

For these reasons, Brown Advisory recommends an unfavorable report.

For more information contact Bill Castelli at wcastelli@rwllaw.com