

STEPHEN E. BUDORICK
PRESIDENT AND CHIEF EXECUTIVE OFFICER

February 18, 2025

Re: H.B. 1014**Position: Unfavorable**

COPT Defense Properties (NYSE:CDP) (COPT Defense), an S&P MidCap 400 Company focused on owning, operating and developing properties in locations proximate to, or sometimes containing, key U.S. Government ("USG") defense installations and missions (referred to as its Defense/IT Portfolio), submits this testimony in strong opposition to H.B. 1014's provisions that would impose an 8.25% surtax on the distributive share of a member of a pass-through entity from the pass-through entity's income in excess of \$1 million and would impose a separate 2.5% "transportation fee" on pass-through entities with income in excess of \$10 million.

Proudly headquartered in Columbia, Maryland, our tenants include the U.S. Government and their defense contractors, who are primarily engaged in priority national security activities, and who generally require mission-critical and high security property enhancements. As of December 31, 2024, the Company's Defense/IT Portfolio of 195 properties, encompassed 22.4 million square feet and was 96.8% leased. Over one-half of COPT Defense's properties are located in Maryland. Of our 433 employees, 305 are located in Maryland.

Like most real estate companies, COPT Defense owns its properties through partnerships and invests in joint ventures with third parties through pass-through entities. H.B.1014's additional pass-through entity taxes not only deviate from the U.S. Internal Revenue Code's treatment of pass-through entities, it would significantly deviate Maryland's tax structure from that in other states. As a result, if implemented, H.B. 2014 would adversely affect Maryland's competitiveness and ability to attract additional investment and growth. Multi-state businesses like COPT Defense have to compare the potential costs of doing business in various jurisdictions, including assessing how to provide world-class facilities in the greater Washington, DC area to the U.S. Government and their defense contractors in a commercially reasonable manner.

The nature of our business is competitive, and given the current climate, these types of taxes would make Maryland less competitive and would undermine the type of high wage employment that Maryland wants to attract.

In addition to our commitment to providing critical national security facilities, COPT Defense is also committed to leveraging our talents and our financial resources to support the communities in which we are located. For example, COPT Defense invested more than \$2 million of its resources to plan, design and build the United Way Family Center, a childcare facility in our Columbia Gateway district at no cost to the organization. The center opened in January 2022, and it fills a critical need for affordable, quality childcare in our local community in which more than one in three families struggle to make ends meet. Beyond the initial donation of construction costs, COPT Defense also has a long-term agreement to lease the property to United Way at a significantly reduced rate, a discount that is equivalent to over \$200,000 annually.

As described above, COPT Defense has a large footprint in Maryland, and we value being part of communities throughout the state. While we understand the need for additional sources of revenue to close the budget gap, these proposals are a short-sighted approach. Not only will they *not* generate the revenue needed, the anti-business message will ultimately depress economic growth in the state by driving businesses, their employees, and investments to other states.

In light of the above, COPT Defense recommends an unfavorable report for H.B. 1014.

Very Truly Yours,



Stephen E. Budorick
President and Chief Executive Officer