



House Bill 1014 – Fair Share for Maryland Act of 2025

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 HB 1014 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 20.95% (this includes the 2.5% transportation tax rate on income over \$10 million). This would be the highest in the country exceeding even California (13.3%).

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.

In addition, the term "pass-through entity's taxable income" is undefined. Is this income that that applies to Maryland apportioned income or all income.

Finally, HB 1014 makes the following changes which will hurt many of our clients:

- Adding a 1% surtax on capital gains for income earners above \$350,000
- Reducing the estate tax lifetime exclusion amount from \$5M to \$2M 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 Maryland and around the country which has enhanced the population and tax base.

For these reasons, Brown Advisory recommends an unfavorable report.

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