



*Creating Communities of
Innovation*

ASSOCIATION OF UNIVERSITY RESEARCH PARKS

DC Area Office

7761 Diamondback Drive

College Park, MD 20742

February 4, 2020

Dear Chairman Guzzone and Members of the Senate Budget and Tax Committee:

Senate Bill 263: Opposed

I am Brian Darmody, a lifelong Maryland resident and CEO of the Association of University Research Parks, a global nonprofit that represents communities of innovation in 42 states and 13 countries. Our main office is in the University of Arizona Tech Park and AURP has a Washington DC area office in the University of Maryland Discovery District in College Park, Maryland, a designated Opportunity Zone (OZ).

AURP represents many anchor institutions, including research parks, universities, hospitals, community colleges and other institutions across the U.S. In Maryland, AURP members include UM Discovery District in College Park, UMB Bio Park in Baltimore, BW Tech at UM Baltimore County, Viva White Oak at FDA headquarters and PIC MC at Montgomery College. Verte OZ, an OZ fund based in UMD Discovery District that is raising a \$50M fund to invest in tech businesses in OZs, is another AURP member.

Last year, this committee introduced, and the Maryland Senate unanimously passed, SB 561, a bill that augmented the federal OZ incentives and re-enforces responsible, purposeful investment to enhance and uplift communities and was seen nationally as one of the nation's most successful state OZ incentives and policy reforms. I believe SB 263, introduced this year, is flawed for 4 reasons:

First, SB 263 would undercut the General Assembly's and the Administration's effort to attract OZ funds to the state and punish **Maryland investors** in OZs, while leaving out-of-state investors free to take advantage of their own state's conformity with federal treatment of capital gains. As you can see from the chart below, Maryland under SB 263 would be one of only a few states that doesn't conform to federal treatment of OZ capital gains. Under SB 263, OZ investors from Virginia, DC, Delaware or Pennsylvania would not pay state capital gains on OZ investments, but Maryland investors/taxpayers would.

OZs potentially can attract hundreds of millions of new private capital to the state, far outstripping the state tax dollars the General Assembly appropriates to TEDCO and the Maryland Department of Commerce. But OZ investors have choices, and if the state does not have a favorable climate for OZ investing, those dollars will not come to the state or its anchor institutions to supported needed

Baltimore County:

BW Tech at University of Maryland, Baltimore County

Prince George's County:

UM College Park Discovery District

Montgomery County:

PIC MC Innovation Campus at Montgomery College

Viva White Oak Research Park at FDA headquarters/Adventist Hospital

Anne Arundel County:

Ft. Meade/NSA

Somerset County:

University of Maryland Eastern Shore

Allegany County:

Frostburg State University

Third, this legislation is premature as we are just beginning to see the inflow of OZ funds to support projects. For example, a JHU medical device spin out, Galen Robotics, just received OZ funding from College Park based Verte OZ, and just moved into 1100 Wicomico in Pigtown. We need more investments like this. The investors that would be attracted to OZ funds are not traditional investors, and they will not want to invest in jurisdictions with uncertain investment climates. The final deadline to invest in a Qualified Opportunity fund to achieve a 10-year gain exclusion *is June 28, 2027*, and the final date to *dispose of an OZ investment is December 31, 2047*. We are just at the beginning stages of seeing how the federal OZ program will attract capital gains sitting on the side lines currently to the state of Maryland. There are many years before the state can assess the impact of the federal OZ tax changes on investing in state projects so now is not the time to discourage private investment in Maryland.

Fourth, if there are policy improvements needed for the OZ program, the best way to address them would be to work with the Maryland Congressional delegation to work reforms ***at the federal level***, and not punish Maryland investors by having the state take unilateral action, thus depriving Maryland investor taxpayers and Maryland anchor institutions from receiving potentially hundreds of millions of dollars of private investment in infrastructure and company investment over the next seven years.

I know the sponsor of the legislation is interested in supporting inclusive economic development in the state. However, for the reasons listed above, please give SB 263 an unfavorable report.

Thank you.

Brian Darmody

CEO, AURP