



To Lead, Advocate and Connect as the Voice of Business

**House Bill 495 – Income Tax - Internal Revenue Code Amendments and the Federal CARES Act
- Decoupling**

Ways and Means Committee

February 4, 2021

OPPOSE

The Montgomery County Chamber of Commerce (MCCC), as the voice of Montgomery County business, opposes House Bill 495.

In 2020, businesses across the state received a Paycheck Protection Program (PPP) loan in 2020 that helped retain jobs and stay current with rent payments. Further, many of these businesses spent the funds in such a way that they have qualified for 100% loan forgiveness.

Until Congress just recently passed the second COVID-19 relief bill, businesses were wary of applying for forgiveness because it would have meant that they would have owed a large tax bill to the Federal Government. Congress fixed that issue in a bipartisan fashion in the last iteration of the bill so there are not concerns surrounding federal tax liability.

However, this legislation would decouple Maryland from the federal tax treatment, meaning businesses could potentially owe a huge tax bill to the state of Maryland if the PPP loans are forgiven. This is unconscionable for small businesses to manage, especially in a time when many are still struggling to stay afloat. Such treatment is not good for the economy and, in fact, erases all the needed support PPPs created by forcing small businesses to pay taxes on it. Maryland must enact the same policy on the state level that the federal government did when it comes to tax treatment of PPP loan forgiveness. This bill would do just the opposite.

It has long been the practice of the General Assembly to exempt many forms of forgiven debt from taxation (example: student loan and mortgage debt). As such, for the aforementioned reasons, **the Chamber opposes House Bill 495 and respectfully urges an unfavorable report.**

The Montgomery County Chamber of Commerce (MCCC) accelerates the success of our nearly 400 members by advocating for increased business opportunities, strategic investment in infrastructure, and balanced tax reform to advance Metro Maryland as a regional, national, and global location for business success. Established in 1959, MCCC is an independent non-profit membership organization and is proud to be a Montgomery County Green Certified Business.