



Senate Bill 361 -- *Income Tax - Carried Interest - Additional Tax*
Senate Budget and Taxation Committee
February 9, 2022
Oppose

The Montgomery County Chamber of Commerce (MCCC), the voice of business in Metro Maryland, opposes Senate Bill 361 -- *Income Tax - Carried Interest - Additional Tax*. Senate Bill 361 imposes a 17% State income tax on the distributive share or pro-rata share of a pass-through entity's taxable income that is attributable to investment management services provided in Maryland.

This legislation represents a discriminatory tax increase that will drive segments of the financial services industry out of Maryland. This legislation creates a punitive tax that puts private equity funds, venture capital funds, hedge funds, and other investors in Maryland at a competitive disadvantage with those in other states. MCCC is concerned that creating a unique tax structure for carried interest will harm Maryland's business climate and harm an industry important to the State's economy.

MCCC asserts that Senate Bill 361 seeks to remedy a tax issue that should be the exclusive purview of the U.S. Congress. Maryland should not institute its own system of taxing carried interest, but instead push for action on the federal level. Federal action will ensure that Maryland is on a level playing field with surrounding and competitor states.

Additionally, during the COVID-19 pandemic, segments of Maryland's economy continue to struggle, and potential employment and economic volatility remains high. Significant tax policy changes have the potential to cause economic disruption that the State of Maryland cannot afford during this volatile period. Policymakers must ensure they take a cautious approach with Maryland's economy and labor market.

MCCC continues to support the creation of a commission to analyze and make recommendations as to how to make Maryland's tax structure more fair, equitable, and economically competitive. This more comprehensive and strategic approach should be adopted, rather than a piecemeal approach to tax policy.

For these reasons, the Montgomery County Chamber of Commerce opposes Senate Bill 361 and respectfully requests an unfavorable report.

The Montgomery County Chamber of Commerce, on behalf of our nearly 500 members, advocates for growth in 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 a proud Montgomery County Green Certified Business.

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