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## **Senate Bill 113 - Opportunity Zone Tax Deduction Reform Act of 2021**

Budget and Tax Committee

January 20, 2021

### **OPPOSE**

Senate Bill 113 requires a person to add back to Maryland adjusted gross income or Maryland modified income the amount of capital gains deferred or excluded under the federal Qualified Opportunity Zones Program.

Opportunity Zones were created as part of the federal Tax Cuts and Jobs Act of 2017. These zones encourage reinvesting capital gains in underdeveloped census tracts with enticements, such as deferring taxes on capital gains until 2026 or paying no capital gains taxes on appreciation on investments held for a decade. Rolling back incentives created discourages investments in Maryland from across the nation. Maryland should be doing everything it can to attract opportunity zone investment and while local Maryland might prefer to invest locally, they can make investments across state lines. By removing state incentives, investors will move their capital to other states.

In 2020, two reports were commissioned to analyze the future of economic development in Montgomery County and Metro Maryland. Both reports ([An Economic Roadmap to Recovery & Long-Term Success](#) and James Chung, "Montgomery County at a Crossroads") spoke to the immense need for future investments through Venture Capital and capital gains, particularly in our Biotech, Quantum Computing, and Hospitality sectors. Montgomery County, and thereby the state, could see investments comparable to Boston and Silicon Valley but the state must pass policies that support this investment.

The Chamber continues to support a proposal to create a commission to analyze and make recommendations as to how to make Maryland's tax structure more business-friendly and economically competitive. This more comprehensive and strategic approach should be adopted, rather than a series of tax "one-offs" with little understood consequences.

For the aforementioned reasons, **the Chamber opposes Senate Bill 113 and respectfully urges an unfavorable report.**

*The Montgomery County Chamber of Commerce (MCCC) accelerates the success of our nearly 500 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.*