February 24, 2025

Senate Bill 321
Committee: Senate Budget & Taxation
Position: Favorable with Amendments

Dear Chair Guzzone and Members of the Committee,

The Budget Reconciliation and Financing Act of 2025 is an expansive piece of legislation and proposals contained within it like lowering the corporate income tax rate are necessary to remain competitive with our regional neighbors, helping to spur Maryland's economy. The best way to fix our state's budget circumstances is to invest in policies that provide long-term business investment and economic growth.

As a local business organization we write to express significant concerns regarding other proposals contained in Senate Bill 321, measures that could adversely affect businesses across our state. SB 321's inclusion of combined reporting, increasing personal income taxes impacting pass-through entities, and the elimination of the Enterprise Zone Tax Credit are three issues that our members are the most concerned with.

Combined Reporting Requirement
SB 321 mandates combined reporting, a tax scheme that neither of our regional economic competitors, Pennsylvania and Virginia, mandate. Further, combined reporting would result in substantial and complex administrative burdens for businesses operating across state lines, a common practice for many Maryland businesses. Combined reporting places Maryland companies at a competitive disadvantage, deterring business investment and expansion within the state. Finally, Maryland's Comptroller was given add-back authority in 2004 which provides the exact remedy to the problem combined reporting alleges to solve.

Increased Personal Income Taxes Negatively Impact Maryland's Small Businesses
SB 321 proposes higher personal income tax rates for individuals earning over $500,000, with rates increasing to 6.25% and 6.5% for those earning over $1 million. This change directly impacts pass-through entities (PTEs)—such as S-corporations, partnerships, and LLCs—where business income is taxed at the individual level. The increased tax burden on these entities will hinder their growth, reduce reinvestment, and discourage entrepreneurship within Maryland. Small businesses and PTE's are the backbone of Maryland's economy.

Elimination of the Enterprise Zone Tax Credit
SB 321 intends to repeal the Enterprise Zone Tax Credit, a program established to stimulate economic growth in economically distressed areas by offering tax incentives to businesses. This program has been instrumental in attracting businesses and creating jobs in targeted regions across Maryland. Eliminating this credit could lead to reduced investment and business

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expansion in these areas, adversely affecting local economies and reducing employment opportunities.

While the objectives of SB 321 are to address Maryland's fiscal challenges, the potential negative impacts on Maryland's business community are considerable. I urge you and the members of the General Assembly to carefully evaluate the implications of this legislation and advocate for policies that support a thriving business environment in our state.

Sincerely,

Mike McMullin

Mike McMullin
President
Carroll County Chamber of Commerce

CC: Delegate Chris Tomlinson
Senator Justin Ready