Gaithersburg-Germantown Chamber of Commerce, Inc.

February 26, 2025

Letter to the Members of the Montgomery County MD State Assembly Delegation

Re: SB 321 & HB 352 – Budget Reconciliation and Financing Act of 2025

Dear Members of the Montgomery County MD State Assembly Delegation:

The Gaithersburg-Germantown Chamber of Commerce (GGCC) was founded in 1949. Since then, the organization has grown to more than 450 members, serving the upper I270 corridor from Gaithersburg north to Damascus. On behalf of these members, we appreciate the opportunity to provide written comments on legislation when relevant. In partnership with four other Chambers of Commerce in Montgomery County, we have submitted the attached testimony regarding the Budget Reconciliation and Financing Act (BRFA) of 2025.

While the attached testimony focuses on our two key concerns in the BRFA – Combined Reporting and higher income taxes that hurt small business passthrough entities – we also would like to share our thoughts with you regarding other tax and fee increases included in the BRFA and other legislation, and Maryland's general approach to closing the state's deep budget gap.

Our Chamber recognizes that our leaders in Annapolis face significant challenges in balancing the budget this year and in future years. We also appreciate Governor Wes Moore's focus on addressing Maryland's stagnating economic growth. As business leaders in Maryland's largest jurisdiction and a critical economic engine for the State, we share a vision of growing Maryland's economy, creating jobs, and fostering a thriving business community.

We would like our state leaders, including yourselves, to focus on creating an environment where economic development is welcomed – one that invites investment in our state and county, includes incentives for growth in Maryland, and creates competition with our surrounding jurisdictions. Unfortunately, this BRFA and other legislative proposals, if enacted, create a non-permissive and non-competitive environment that will only continue to incentivize businesses (and wealthy individuals) to leave Maryland.

Proposals that create a non-permissive and non-competitive environment include:

- Combined reporting requirements – will chase large business out of our state. It is one of our few competitive advantages remaining.
- Higher income taxes – hurts small businesses, most of which are registered as passthrough entities (LLCs, S-corps, and sole proprietorships)
- Elimination of the Enterprise Zone Tax Credit - This program has been instrumental in attracting businesses and creating jobs in targeted regions across Maryland.
- Surcharge on capital gains

910 Clopper Road, Suite 205N, Gaithersburg, Maryland 20878 (301) 840-1400
www.ggchamber.org

Gaithersburg-Germantown Chamber of Commerce, Inc.

- Elimination of itemized deductions – not only will this drive wealthier individuals to nearby jurisdictions, but it will significantly impact the ability of our large nonprofit community to solicit donations.
- Energy policies that place an enormous reporting and capital cost burden on businesses, including condo associations and houses of worship, to replace equipment that has not reached the end of its useful life.
- Policies that place an undue burden on small business operations – such as the proposal to require use of only electric leaf blowers. We know that this legislation in Montgomery County cost our small and mid-size landscapers up to tens of thousands of dollars at once to replace equipment that was not at the end of its useful life. Some local businesses cannot afford that change and cannot/will not work in Montgomery County right now. Not only should Montgomery County roll that legislation back, but the state should take a lesson from us.
- Policies that place more burden on property developers and landlords in an already over-regulated marketplace. Just Cause Eviction is well-intended but not necessary - no landlord wants to send away good tenants.
- Increased taxes to employers through increased Unemployment Insurance taxes and new FAMLI tax contributions.

These proposals, if enacted, disproportionately harm Montgomery County, which has already experienced out-migration of taxpayers in recent years. Investors and developers, who support our tax base, are leaving for greener pastures.

Montgomery County has also raised property taxes, raised recordation taxes, and implemented rent control in the past year. The Council passed legislation requiring electric-only building permits by next year, and also passed BEPS regulations that place a new reporting and capital cost burden on large building owners, including those for houses of worship and condo associations. It is exhausting to list all of the ways in which our state and county are burdening our business owners and citizens with fees and taxes, rather than trying to *build a bigger and more productive economy*.

Taxing our way out of a deficit will only drive away taxpayers, and encourage a deeper deficit. We encourage you to think more creatively about economic development. In a competitive and permissive environment, we will grow business and the resulting tax base.

Sincerely,

Paula Ross

Paula Ross
President & CEO
Gaithersburg-Germantown Chamber of Commerce