TESTIMONY PRESENTED TO THE HOUSE WAYS & MEANS COMMITTEE

HOUSE BILL 887— CORPORATE INCOME TAX – MAIN STREET EMPLOYER TAX REBATE

February 25, 2014

DONALD C. FRY
PRESIDENT & CEO, GREATER BALTIMORE COMMITTEE

Position: Oppose

The Greater Baltimore Committee (GBC) is an independent non-partisan regional business advocacy organization of more than 500 businesses—large, medium and small—educational institutions, nonprofit organizations and foundations located in Anne Arundel, Baltimore, Carroll, Harford and Howard counties as well as Baltimore City. The GBC is a 59-year-old, private-sector membership organization with a rich legacy of working with government to find solutions to problems that negatively affect our competitiveness and viability. It is an organization that prides itself on advocating for changes in public policies that strengthen the business climate while improving the quality of life.

The Greater Baltimore Committee **opposes** House Bill 887 - Corporate Income Tax – Main Street Employer Tax Rebate.

House Bill 887 proposes to require corporations of a unitary group to utilize the combined reporting method for tax calculation purposes. The proposed legislation would also create a Small Business Property Tax Rebate program which would provide personal property tax rebates to businesses with 25 or fewer employees.

Combined reporting has been the subject of debate in the Maryland General Assembly for a number of years and was a specific area of study considered by the Maryland Business Tax Reform Commission. The Greater Baltimore Committee supported the General Assembly's creation of the Business Tax Reform Commission, which was established to "review and evaluate the current business tax structure to provide for fair and equitable taxation for all corporations and other business entities doing business in the state." Further, the commission was explicitly directed to study combined reporting.

After studying the issue for almost two years, the Commission determined that enacting combined reporting was not advisable at the time of the report.

The Commission cited many reasons why combined reporting is not recommended. Foremost of these factors was "combined reporting is a complex change for taxpayers, tax preparers and the Comptroller's office, introducing uncertainty at a time when the economy is struggling to recover from the recent recession." Although the recession has subsided, the economy has not fully recovered and instability and uncertainty still exist. Further, combined reporting could also increase volatility in corporate income tax revenues (an already volatile revenue source for the state of Maryland).

A welcoming business environment is very important to the economic vitality of our state. Maryland is fortunate to have major national and international corporate headquarters located within its borders that are major contributors to the state's revenues by providing jobs and paying a variety of taxes.

The global nature of the economy forces us to look at our corporate income tax laws to ensure our competitiveness. Many businesses consider state-level corporate income tax policies when deciding where to locate their business or whether to expand their existing business. Increasing global competition has continued to change the marketplace and our state must ensure that its tax policies do not deter companies from locating or expanding current operations in Maryland as they compete in this global marketplace. Adopting combined reporting would likely result in some Maryland companies re-evaluating their analysis of Maryland as a good place to do business or expand its current operations.

For the reasons stated above, the Greater Baltimore Committee requests an **unfavorable report of House Bill 887**.

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