gbc POSITION STATEMENT

TESTIMONY PRESENTED TO THE SENATE BUDGET & TAXATION COMMITTEE AND HOUSE WAYS & MEANS COMMITTEE

SENATE BILL 395/HOUSE BILL 1298— BUSINESS RELIEF AND TAX FAIRNESS ACT OF 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** Senate Bill 395/ House Bill 1298 - Business Relief and Tax Fairness Act of 2014**.**

SB 395/HB 1298 proposes to reduce by 50 percent in most cases the fees collected by the Maryland Department of Assessments and Taxation for filing documents by corporations and associations. At first blush, these fee reductions could be considered a business relief as the title of the bill suggests; however, the second major function of the proposed legislation is to require corporations of a unitary group to utilize the combined reporting method for tax calculation purposes.

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." Such an accounting change would also shift the tax burden to create winners and losers. Further, combined reporting could also increase volatility in corporate income tax revenues (an already volatile revenue source for the state of Maryland).

It cannot be overemphasized how important a welcoming business environment is 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 Maryland must be certain its tax policies assist it to remain a true contender for economic growth. Adopting combined reporting could cause some Maryland companies to alter their analysis of the state of Maryland as a good place to do business.

For the reasons stated above, the Greater Baltimore Committee requests an **unfavorable report of SB 395/HB 1298**.

GREATER BALTIMORE COMMITTEE
Suite 1700. 111 South Calvert Street. Baltimore, Maryland 21202-6180
410. 727-2820. Fax 410. 539-5705