gbc POSITION STATEMENT

TESTIMONY PRESENTED TO THE SENATE
BUDGET AND TAXATION COMMITTEE

SENATE BILL 179 — BUSINESS RELIEF AND TAX FAIRNESS ACT OF 2015

DONALD C. FRY
PRESIDENT & CEO
GREATER BALTIMORE COMMITTEE

POSITION: Oppose

The Greater Baltimore Committee (GBC) is a non-partisan, independent, regional business advocacy organization comprised of hundreds of 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 60-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 179 – Business Relief and Tax Fairness Act of 2015.

The issue of competitiveness has long been at the forefront of debate and discussion with regard to Maryland's business climate. While Maryland has a myriad of competitive strengths, including a highly-skilled workforce and a top-ranked K-12 public school system, in yearly reviews the state consistently ranks near the bottom on a number of key business metrics. And when compared to neighboring states like Virginia, Maryland's tax structure as it relates to business growth and job creation is often viewed unfavorably.

For the past several years, the Greater Baltimore Committee has been studying this issue in an attempt to identify different strategies and policies the state could enact in order to improve competitiveness. In 2010, following a 12 month review of business climate surveys, interviews with current and former economic development professionals, focus groups, and conversations with business owners, the GBC issued a report called "Gaining a Competitive Edge" outlining eight core pillars for a competitive business environment as agreed upon by these key members of the business community.

One of the pillars identified was the importance of having competitive costs of doing business. The report found that public policies must reflect a government predisposition to nurture growth and to avoid arbitrarily or disproportionately imposing additional overhead on the business sector.

Though its title may suggest otherwise, Senate Bill 179 is in direct violation of this principle. While this proposed legislation would reduce filing fees for businesses with less than 10 employees, it would require the combined reporting method for calculating Maryland taxable income, a policy that has been repeatedly rejected by commissions and organizations that have studied it.

In December 2010, the Maryland Business Tax Reform Commission – a group charged specifically with reviewing and evaluating the effects of implementing combined reporting – recommended that the General Assembly not adopt this policy for a number of reasons, including that many of the tax avoidance measures that combined reporting is supposed to prevent had already been addressed in previous policies enacted by the Maryland legislature.

In February 2011, a Maryland business organization stated in the Baltimore Sun that, "Combined reporting is a misleadingly simple term for a complicated new tax regime."

And just last year, in opposing a similar bill that would have required combined reporting, the Council on State Taxation wrote that combined reporting reduces jobs, increases the administrative burden on businesses, and would have an "unpredictable and uncertain effect on Maryland's revenue."

Aside from creating additional undue burden on businesses, requiring combined reporting would also negatively impact Maryland's competitiveness with other states because less than half of all states in the nation require this method of computing taxable income. In the Mid-Atlantic region, only West Virginia and Washington, DC require combined reporting.

Further, many of Maryland's remaining large corporations, including McCormick, have indicated strong objection to the combined reporting tax method. Putting aside the other objections to combined reporting, at a time when our state is trying to keep or grow large businesses it would be ill-advised for the Maryland General Assembly to enact a punitive policy that is opposed by those very companies.

If Maryland wants to be competitive in the 21st century economy, our state policies must reflect an understanding of the challenges faced by our state's businesses and a willingness of government to partner with the business community. Senate Bill 179 would put additional administrative and regulatory on businesses that is not reflective of a state that wishes to be competitive and welcoming to business growth and job creation.

For the reasons stated above, the Greater Baltimore Committee urges an unfavorable report of Senate Bill 179.