gbc POSITION STATEMENT

TESTIMONY PRESENTED TO THE
HOUSE WAYS AND MEANS COMMITTEE

HOUSE BILL 251 – CORPORATE INCOME TAX – RATE REDUCTION

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PRESIDENT & CEO
GREATER BALTIMORE COMMITTEE

POSITION: Support w/Amendments

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 supports with amendments House Bill 251 – Corporate Income Tax – Rate Reduction.

Creating a tax environment that is conducive to business growth and job creation is a priority shared by many state and local government officials, business leaders, and advocacy organizations. The question of what precisely constitutes fairness with regards to tax policy and how Maryland can be more competitive against neighboring states is an issue the Greater Baltimore Committee has been diligently studying for over a year through a commission of prominent business leaders, former elected officials, and former state officials.

Over the course of the commission's study, experts from a variety of subject areas were consulted, including a corporate site selector who briefed the group on what exactly companies consider when deciding where to locate a business. It was no surprise that taxes were high on the list. While Maryland has a myriad of competitive advantages that would be appealing to any business – a top-rated K-12 public education system, world-class institutions of higher learning, critical infrastructure like the Port of Baltimore and the airport – often the state is disqualified too early in the process for these advantages to be considered due to high tax rates.

Maryland's corporate income tax is 8.25 percent, unchanged since 2007 while in recent years other states in the region have taken action to significantly reduce their rate. While not the highest rate in the region, it is far from the lowest – New York, West Virginia, North Carolina, and Virginia all have corporate income tax rates lower than Maryland. Even at a rate higher than many of its neighbors, Maryland's corporate income tax represents only about 5% of General Fund revenues.

House Bill 251 seeks to reduce Maryland's corporate income tax from 8.25 percent to 6 percent. A change of this magnitude would not only save current and future Maryland businesses money but more importantly would send the message that Maryland is ready and willing to take the steps necessary to create a welcoming business environment. Considering the fact that the corporate income tax represents such a small share of Maryland's General Fund revenues, it is not unreasonable to assume that the state could recuperate the majority of revenues lost by reducing the tax from the business growth that will inevitably result from such a change.

However, understanding that fiscal matters must be handled in a way that is respectful of the state's many obligations the GBC suggests that any reduction of the state's corporate income tax be reduced incrementally. By taking a gradual approach, the state would have an opportunity to slowly make the changes necessary to protect critical services and priorities while still enjoying the benefit of increased business growth and job creation.

For the reasons stated above, the Greater Baltimore Committee urges a favorable report of House Bill 251 with the amendments outlined in this Position Statement.