

## MARYLAND CHAMBER OF COMMERCE

### TESTIMONY TO THE MARYLAND BUSINESS TAX REFORM COMMISSION

November 9, 2010

Thank you for the opportunity to testify this evening. I am Kathy Snyder, President & CEO of the Maryland Chamber of Commerce. We have closely followed the work of the Commission over the past two years, and we appreciate the work that you have done. Now it is time to make critical decisions that will determine whether Maryland will be competitive with its business tax structure.

#### **Competition**

Many studies show that Maryland is a good place to do business, due to its well educated workforce, quality of life, and convenient location. However, most studies also show that Maryland has work to do in order to improve its competitive position on business taxes. Therefore it is imperative that the Commission, in evaluating tax fairness, not adopt recommendations that in any way make Maryland less competitive for jobs and investment with other states.

You have evaluated a wide range of options for tax changes, including combined reporting, throwback, throwout, gross receipts and alternative minimum taxes, and sales tax on services. These measures are not part of the tax systems of our competitor states; all would make Maryland a less favorable place to do business. Each of these options, depending how they are structured, would also result in millions of dollars of tax increases on Maryland businesses at a time that companies are struggling to maintain their current levels of employment. These tax options should be rejected.

#### **Combined Reporting**

The Commission has devoted considerable time to evaluating the impact of adopting combined reporting as part of Maryland's corporate income tax structure. Based on the information gathered by the Commission, it is evident that:

- The General Assembly has already addressed areas of concern regarding Delaware Holding Companies and captive REITS.
- No evidence of improper conduct by corporations has been presented to the Commission.
- Combined reporting would cause massive shifts in tax liability between businesses, with about two thousand businesses paying \$349 million *more* in taxes and a nearly equal number of businesses paying \$152 million *less* in taxes. The fact that many businesses pay less in taxes demonstrates that the tax change is not a "loophole closer" – it is a different means of taxation.

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- None of Maryland's competitor states has enacted a combined reporting tax system. Such a system adds significant complexity to the tax system that requires additional staff resources among businesses reporting the tax, as well as the Comptroller's Office in auditing and litigating the tax. DBED's website touts the fact that Maryland has "no unitary tax on profits."
- At a time when businesses can least afford it, this tax change would impose \$100 - \$200 million in new taxes on companies doing business in Maryland.
- There is nothing inherently more "fair" about combined reporting as compared to Maryland's current system of separate entity taxation.

We strongly urge the Commission to not recommend combined reporting.

### **Business Tax Incentives**

We would support reasonable measures to standardize and enhance data reported by businesses that receive state tax credits, as long as the requirements did not lead to the disclosure of proprietary business information. It is appropriate for the state to gather the data necessary to ensure that its tax incentives are resulting in productive job growth. The Department of Legislative Services has produced studies showing how data reporting can be standardized and improved. However, such initiatives must avoid provisions in recent legislation that become a fishing expedition designed to divulge wage rates, health insurance costs and other unrelated proprietary data of affected companies.