



Peter Franchot
Comptroller

November 8, 2007

The Honorable Michael E. Busch
Speaker of the House
State House
Annapolis, Maryland 21401

Dear Speaker Busch:

Earlier this week, the Senate Budget and Taxation Committee gave a favorable report to Senate Bill 2, the Tax Reform Act of 2007, with several amendments. Included in the amendments was an extension of the Sales and Use Tax to computer services, landscaping services and video arcades. While I am frustrated by the seemingly random and arbitrary manner in which these industries have been targeted for taxation, I am particularly worried about the inclusion of computer services in this bill.

My concerns are twofold. First, there are numerous challenges related to the implementation of this measure, beginning with the obvious need for refinement of the term "computer service." It is also imperative that we exercise the due diligence necessary to inform affected businesses of the new tax laws, and to ensure that they are accordingly registered and compliant. As you may be aware, Pennsylvania and Florida enacted a sales tax on computer services, only to repeal them at a later date.

Of equal concern is the disturbing message that this new tax measure – coupled with the highly irregular manner in which it was added to the Senate bill – sends to Maryland's business community. In recent years, our State has emerged as a national leader in the global technology economy, and now competes with Silicon Valley, North Carolina's Research Triangle and Boston's Route 28 corridor for high-tech businesses, federal partnerships and venture capital.

The employers that form the nucleus of this new economy provide high-paying jobs to Maryland residents and are widely regarded as exceptional corporate citizens. Adding a tax provision of this magnitude to legislation at the 11th hour – without the courtesy of advance notice, the benefit of meaningful public input or sufficient understanding of its effects – plays into the hands of those who would unfairly question Maryland's business climate. This latest unintended consequence of the 2007 Special Session may, in turn, undermine our ability to compete effectively in the global technology marketplace. It is in that spirit of concern that I would ask the House to reject this proposal, and to proceed throughout this session with a general sense of caution.

Should you have any questions, please do not hesitate to call me. Otherwise, thank you in advance for your consideration.

Sincerely,

Peter Franchot