



Maryland Chamber of Commerce

Legislative Position

HB 55
OPPOSE
Ways &
Means
Committee
11/3/07

HB 55

Business Organization Filing Fees – Income Tax Credit

Bill Summary: HB 55 would increase the annual report filing fees of all business entities from the current \$300 to \$1,000. It also provides for a credit of up to \$500 against the corporate or individual income tax paid on that business entity's income, with no carryforward for any unused credit amount. If a business entity has gross revenues of less than \$1,000,000 for the taxable year the credit would be up to \$700 with a carryover of up to 5 years.

Chamber Position: The Maryland Chamber of Commerce opposes this bill for the following reasons:

- The fee was only just raised from \$100 (or from zero for some entities) to \$300 for calendar year 2004.
- The \$1,000 is way out of line with the filing fees in surrounding states.
- The bill would be extremely unfair to small businesses due to the high amount of the fee. Maryland is predominantly a small business state - almost $\frac{3}{4}$ of the State's registered business entities employ fewer than 10 people. Businesses would not be able to claim the credit until the year following payment, giving the state a year's float at the expense of small business owners.
- The income tax credit of the proposal will be difficult to administer regarding the many flow-through entities (partnerships, LLCs, S-corporations) whose income tax is paid on the tax returns of their owners. The filing fee would be paid on the annual report of the business, but the credit would be claimed on multiple income tax returns of the business's owners.
- The income tax credit is also unfair, and in fact raises serious Constitutional questions. The credit discriminates in favor of businesses that have enough Maryland activity to generate at least a \$500 income tax in Maryland, and discriminates against non-Maryland businesses and small businesses whose income tax is less than \$500 and therefore would not generate the full tax credit; the latter businesses end up paying a higher net filing fee.

We urge you to give HB 55 an unfavorable report.

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