GREATER WASHINGTON

Board of Trade

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Testimony to the Maryland Business Tax Reform Commission

November 9, 2010

Good evening Chairman Wacks and members of the Commission. My name is Jim Dinegar. I am president and CEO of the Greater Washington Board of Trade, the only regional business organization representing the interests of business in Greater Washington. Our membership includes leading businesses in both Montgomery and Prince George's Counties.

We commend Maryland on initiating this commission's efforts to address tax reform for the state. Your scope of responsibility is appropriate for the challenges facing Maryland: How you balance the approach of tax reform between imposing taxes, improving collections, and reducing taxes. Because of the troubling situation with state budgets including Maryland's, scrambles are underway to close the gaps. I commend this Commission for taking a more considered approach and encourage you to continue these efforts.

Businesses as well as multi-state corporations consider Greater Washington a great place to locate in part due to its highly-educated workforce, business climate, and economic strength and stability. In the past two years alone, five such corporations have relocated their headquarters to our region. However, if radical new tax measures are put in place, Maryland may place itself at a disadvantage in future relocation plans.

Combined reporting is one of the most strongly debated items of this Commission and we strongly urge you to refrain from recommending this approach. Its adoption would negatively impact Maryland's revenues and its ability to attract and retain businesses no other states in our region have implemented this measure.

As this commission prepares its final recommendations to the legislature and the Governor, we urge you to carefully consider the potential unintended consequences any change to our current business tax structure may bring to Maryland, to our business community, and to our residents. While the intent of the panel recommendations is to create more fair and equitable business taxes, the recommendation for combined reporting will likely result in an unexpected burden on Maryland's businesses. One result may be that existing Maryland businesses may chose to relocate to Virginia or other comparatively more business friendly state. Another would be a diminished ability for Maryland to attract top corporate relocations. This would cost Maryland jobs, tax revenue, and economic opportunity.

This Commission's review and evaluation of the current business tax structure must also extend to recommendations supported by the business sector – namely, a gasoline tax to use in a dedicated manner for transportation improvements. This issue is central to economic development and enjoys strong support from the business community.

When it was established in 2007, well before the economic recession, the charge of the commission was to also review and evaluate a variety of tax impositions upon business. In 2010, with the debilitating economic hit to businesses in Maryland, the commission should take special notice of the crippling implications any new or expanded tax would have on economic development, business viability and corporate recruitment and retention.

We urge you to consider a more business friendly approach on this issue for the benefit of all of Maryland.

In short, we support a gasoline tax for dedicated use for transportation needs and we oppose new or expanded taxes -- including combined reporting -- because they would further place Maryland at a competitive disadvantage while harming businesses central to the prosperity of all Marylanders.

Thank you for this opportunity to testify.