

**Testimony before the
Maryland Business Tax Reform Commission**

**Joint Hearing Room
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6:30 PM**

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MSEA supports passage of legislation to reform Maryland's outdated tax structure and align today's economic activity with realistic and enforceable tax compliance. Existing state tax law fails to account for the creative shell-game bookkeeping of large corporations who operate and have sales in multiple states. The proposal before this Commission to require affiliated corporations to compute Maryland taxable income using "combined reporting" is a fair and equitable reform of state tax law. Currently, the thousands of small businesses in Maryland accurately report their profits and losses and pay their fair share of corporate taxes in full compliance of state law. Enactment of "combined reporting" will require large corporations to provide an honest assessment of corporate financial activity and will level the playing field of tax liability between small businesses and large corporations.

MSEA supports an adequate, sustainable, predictable revenue stream that will address the state's structural deficit and adequately fund both the operating and construction costs of our public schools. Public education is not just another of the many services provided by government. Public education is a common good and needs to be supported with broad based, reliable and stable revenue sources.

Providing adequate funding for education is an investment that promotes families, communities, economic development, and public safety. Investing in education provides an educated workforce that pays income taxes based upon higher salaries, pays sales taxes based upon a greater consumer demand, and pays property taxes through expanded home purchasing power. Today's investment in education is tomorrow's increased government revenues.

We need to reduce class sizes, recruit and retain quality teachers, expand individualized intervention programs and continue the progress in closing the achievement gap. Students count on all of us for an opportunity to learn and to achieve academic success. We need great public schools for every child. We urge this Commission to support corporate tax reform such as "combined reporting."