



Montgomery County Chamber of Commerce
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November 9, 2010

Ray Wacks, Chairman
Business Tax Reform Commission
Goldstein Treasury Building
80 Calvert Street - P.O. Box 466
Annapolis, MD 21404

Re: Business Tax Reform Commission

Dear Chairman Wacks:

On behalf of the Montgomery County Chamber of Commerce and the employers listed here, we write to you with our thoughts and concerns regarding significant changes with the structure of business taxes in Maryland. The future of economic development in Maryland is our highest priority, and during this very tenuous time in our economy, we believe that stability and predictability of our business climate is of the utmost importance.

In an already expensive market like the Baltimore/Washington metro area, with a talented labor force and great educational institutions throughout the region, tax policy and related cost implications play a major role in determining business expansion or location decisions. While the commission has studied several issues in-depth, we offer comments regarding two specific issues: combined reporting and sales taxes on business services.

Combined Reporting

Many Maryland employers have made significant investments in Maryland, in both real and personal property, and have hired talented Marylanders to be an integral part of their workforce. Combined reporting, and the corresponding apportionment formulas, would disadvantage headquarter companies and create disincentives to invest in our state. In addition, combined reporting would tax income earned by subsidiaries that may have no connection to Maryland.

For the private sector, combined reporting creates a more volatile business model which makes it more difficult to forecast corporate income tax obligations, further exacerbating a Maryland tax climate that has been filled with uncertainty. For the public sector, it creates a significant administrative burden without any clear state revenue benefits. The imposition of combined reporting would ultimately result in significant litigation regarding what constitutes a unitary group. It is doubtful when the State would receive revenue benefits, if at all.

Sales Taxes on Business Services

Maryland is primarily a service based economy, and the future success of our State largely depends on businesses, large and small, that generate economic activity every single day. In a regionally and globally competitive economy, many businesses can easily move their operations to other states, if the costs of doing business increase. This is especially true in Maryland, which shares nearby borders with four states and the District of Columbia. Many companies already operate on thin margins, and money spent on increased taxes, which cannot be always be passed on to customers, is money not spent on hiring employees, offering benefits, or purchasing equipment. Lastly, the difficulty of tracking the origins of business-to-business sales tax transactions will create additional enforcement and collection burdens. Again, this type of tax unfortunately results in winners and losers within our business community.

These nine companies alone: Hughes Communications, Marriott International, Sodexo, Lockheed Martin, Discovery Communications, Choice Hotels, Comcast and MedImmune, and GEICO collectively employ 31,000 workers in Maryland with more than \$1.4 billion in payroll and \$1.2 billion in real property investments. Many non-profit, educational and community organizations also rely each year on their generous support.

Sincerely,

Georgette "Gigi" Godwin
President and CEO
Montgomery County Chamber of Commerce

Thomas J. McElroy
Senior Vice-President and Corporate Controller
Hughes Network Systems, LLC.

Debbie Harrison
Senior Vice-President, Government Affairs
Marriott International

Sean Looney
Vice-President, State Government Affairs
Comcast

Mike Campbell
Senior Vice President and Chief Financial Officer
GEICO

Lawrence Duncan III
Vice-President, Federal and State Government Affairs
Lockheed Martin

Alexa Verveer
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Nancy Bukar
Senior Director, State and Local Government Affairs
Sodexo

David Peikin
Senior Director, Corporate Communications
Choice Hotels International

Kinn Elliott
Director, State Government Affairs
MedImmune