MDCC_Griffin_Favorable_SB66

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Position: FAV

LEGISLATIVE POSITION:
Favorable
Senate Bill 66
Income Tax - Credit for Small Businesses - State Minimum Wage Increase
Senate Budget and Taxation Committee
Wednesday, January 15, 2020

Dear Chairman Guzzone and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 4,500 members and federated partners, and we work to develop and promote strong public policy that ensures sustained economic growth for Maryland businesses, employees and families.

According to the Department of Legislative Services, Maryland is home to approximately 131,000 businesses with 50 or fewer employees. Small businesses in Maryland employ roughly 950,000 individuals, which accounts for approximately 41.8% of Maryland's total private employment as cited by the Maryland Department of Labor.

Small businesses are the driving force for job creation, and our entire state benefits when our small businesses succeed. Small businesses are an integral part our work at the Maryland Chamber, and our efforts affect no other group more drastically. In addition, our state's overall success in the global marketplace is directly tied to Maryland's ability to foster a competitive and favorable climate for small businesses, a sector that makes up almost 92 percent of the state's registered companies.

SB 66 creates a refundable tax credit against the state income tax for small businesses that employ 50 or fewer employees in the state and pay their employees the state minimum wage. Small businesses will be able to claim a tax credit equal to the product of the highest state employer withholding tax rate (5.75%) and the yearly wages attributable to the difference between the state minimum wage rate and $10.10 per hour.

The Maryland Chamber of Commerce recognizes that small businesses feel the impacts of policies like the increased minimum wage mandate disproportionately more than larger, more traditional companies. Therefore, we fully support all measures aimed at supporting our small businesses--the lifeblood of Maryland's economy.

For these reasons, the Maryland Chamber of Commerce respectfully requests a **favorable report** on **SB 66**.

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SB66 Income Tax – Credit for Small Businesses – State Minimum Wage Increase
Senate Budget and Taxation Committee
January 15, 2020

Position: SUPPORT

Background: This legislation would create a refundable tax credit against State income taxes for small businesses that employ 50 or fewer employees, and that pay qualified employees the state minimum wage.

Comments: From ever increasing health care costs, to paid sick leave, to the increase in the minimum wage, small businesses in Maryland have undergone numerous increases in operating costs with little time for adjustment. The tax credit proposed by SB66 would provide businesses with relief as they continue implementing changes to their operating structures at the request of the legislature. Retail businesses are the backbone of Maryland's economy, and in order to continue providing goods, services and much needed tax revenue – let alone jobs – to their communities, small businesses need support to adjust to changes in business regulations. This tax credit would enable them to do just that, helping to stabilize small businesses as various increases and mandates are implemented.

We urge a favorable vote on SB66. Thank you for your time and consideration.

SB 66 - OPPOSE - MD DC AFL-CIO

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SB 66 – Income Tax - Credit for Small Businesses - State Minimum Wage Increase
Senate Budget and Taxation Committee
January 15, 2020

OPPOSE

Donna S. Edwards
President
Maryland State and DC AFL-CIO

Mister Chairman and members of the Committee, thank you for the opportunity to provide testimony in opposition to SB 66 – Income Tax - Credit for Small Businesses - State Minimum Wage Increase. My name is Donna Edwards, President of the Maryland State and DC, AFL-CIO. On behalf of the 340,000 union members in the state of Maryland, I offer the following comments.

SB 66 is a massive step backwards. It would provide businesses with 50 or fewer employees to receive a tax credit for every worker that earns the State minimum wage. The credit would be equal to the product of the 5.75% withholding tax and the difference between State minimum wage and $10.10/hour, on all hours worked in a year. At full phase-in, these employers would pocket an extra $568 per year on each of their minimum wage workers. In addition, if their total tax credits are greater than their tax burden for the year, they may claim a refund for the excess.

This bill would create a perverse incentive for businesses to keep their workers at minimum wage, because one penny more than minimum wage would mean the employer loses their tax credit. If the State is willing to pay you for each of your workers, why would you ever give them a raise, and lose your tax credit? Why would you start new workers at better salaries if it means you lose out on an additional $568 per year? Moreover, this tax credit is designed to last for ten years, continuing to push down wages and reward businesses for paying their workers as low as they legally can.

This is a bad deal for Maryland workers and taxpayers. SB 66 asks all of us in Maryland to pay employers for their workers. Pay and benefits are the responsibility of the employer, not the tax payer. "Fight for Fifteen" was a compromise bill, that will take six years for a total phase-in. That is more than enough time for businesses of all sizes to adapt and absorb increased labor costs.

We urge an unfavorable report on SB 66.