



LEGISLATIVE POSITION:

Unfavorable

House Bill 1284 – Tax Modernization Act

House Ways and Means Committee

Thursday, March 5, 2020

Dear Chairwoman Kaiser 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.

As presented, House Bill 1284 repeals state sales and use tax exemptions impacting a wide variety of industry sectors. The bill also alters the process of awarding tax credits and eliminates the refundability of other tax credits. The Maryland Chamber of Commerce is concerned with the direct negative impacts to business presented by HB 1284 and the overall tenor of the bill.

HB 1284 repeals the sales and use tax exemptions for the purchase of equipment in specific industries including the production of bituminous concrete, retail food manufacturers who produce baked goods or bread, and warehouse equipment. The removal of these sales and use tax exemptions may disincentive companies from reinvesting in newer and safer equipment for their businesses.

Additionally, this bill alters the eligibility for certain tax credit programs, specifically, the employer security clearance costs tax credit. HB 1284 redefines eligibility from an individual or corporation to a “small business”. The small business definition referenced in the new bill language applies only to businesses with 25 or fewer employees. The two primary concerns with this definition are that the change from the old to new definition is significant, eliminating a significant number of currently eligible businesses, and that there are multiple definitions in statute of what constitutes as a small business. Conceivably, a business could qualify under the definition of a small business for one program and not qualify as a small business under another program. This is of concern as Maryland positions itself to be a leader in industries which require security clearances.

HB 1284 removes the sales and use tax exemption on lodging used solely in support of a corporate headquarters, training, conference, or awards facility or campus. Removing this provision will disincentivize Maryland companies from the expansion of and investment in their corporate facilities. These facilities bring employees to Maryland from around the country which create secondary economic impacts to the surrounding areas and businesses.

For these reasons, the Maryland Chamber of Commerce respectfully requests an **Unfavorable Report** on House Bill 1284.