House Bill 1007 -- *Fair Share for Maryland Act of 2024*
House Ways and Means Committee
February 22, 2024
Oppose

The Montgomery County Chamber of Commerce (MCCC), the voice of business in Metro Maryland, opposes House Bill 1007 -- *Fair Share for Maryland Act of 2024.*

House Bill 1007 proposes a myriad of tax increases. These include higher income taxes, increased estate taxes, higher taxes for pass-through entities, a 1% surcharge on capital gains, and changes to the corporate tax structure through combined reporting.

The Montgomery County Chamber is extremely concerned about House Bill 1007 and the uncompetitive nature of the tax increases it proposes. MCCC opposes increasing Maryland's already high income tax rates. Additionally, instituting a surcharge on capital gains or higher taxes on pass-through entities is uncompetitive as there are no states in the region that levy such taxes. Significant tax increases will harm Maryland's competitiveness and make it more expensive for small businesses to compete.

MCCC also opposes restructuring the corporate income tax to impose combined reporting because of its adverse impact on Maryland's business competitiveness. MCCC cites the recommendations of the Maryland Business Tax Reform Commission (MBTRC), which was created to review and evaluate the State's business tax structure. The Maryland General Assembly explicitly directed the MBTRC to review whether to implement combined reporting. In its 2010 recommendations, the MBTRC recommended against combined reporting in Maryland. The Commission's final report explained its reasoning in rejecting combined reporting due to the following:

- **Complexity** – combined reporting is a complex change for taxpayers, tax preparers, and the Comptroller's Office.

- **Shift of Tax Burden** – combined reporting shifts the tax burden, substantially in some cases, among industries and among taxpayers, resulting in winners and losers.

- **Unnecessary** – many of the tax avoidance measures which combined reporting is intended to prevent have already been addressed by the State through the Delaware holding company add back, the captive real estate investment trust (REIT) legislation, and other measures.

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- **Increased Volatility** – a Comptroller's study of corporate returns indicated that combined reporting would lead to increased volatility in corporate income tax revenues, already one of the State's most volatile revenue sources.

Later, in 2015, the Maryland Economic Development and Business Climate Commission, also known as the Augustine Commission, issued a report recommending against the adoption of combined reporting. The report stated that combined reporting "…can create revenue volatility and winners and losers among corporate taxpayers." The report added that, "Combined reporting can also lead to additional litigation from taxpayers and create additional administrative costs for both taxpayers and the state."

MCCC continues to advocate for the creation of a commission to examine Maryland's entire tax structure and make recommendations on how to make it more fair, equitable, and economically competitive. This more comprehensive and strategic approach should be adopted, rather than a piecemeal approach to tax policy.

For these reasons, the Montgomery County Chamber of Commerce opposes House Bill 1007 and respectfully requests an unfavorable report.

The Montgomery County Chamber of Commerce, on behalf of our nearly 500 members, advocates for growth in business opportunities, strategic investment in infrastructure, and balanced tax reform to advance Metro Maryland as a regional, national, and global location for business success. Established in 1959, MCCC is an independent non-profit membership organization and a proud Montgomery County Green Certified Business.

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