



TESTIMONY PRESENTED TO THE SENATE BUDGET AND TAXATION COMMITTEE

SENATE BILL 2 -- DIGITAL ADVERTISING GROSS REVENUES - TAXATION

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Senate Bill 2 imposes a tax on annual gross revenues derived from digital advertising services such as advertisement services on a digital interface, including advertisements in the form of banner advertising, search engine advertising, and other comparable advertising services.

The Greater Baltimore Committee (GBC) commends the sponsors of Senate Bill 2 for acknowledging that as Maryland's economy continues to evolve so must the manner in which revenues are collected for essential government services. Maryland's tax structure remains largely a product of a decades old economy based on the taxation of goods. The state's current tax structure is not built to raise revenue from a modern economy largely derived from services and online commerce. While Senate Bill 2 seeks to address taxation on a small portion of today's economy, the GBC contends that taxing one type of product, service, or industry without careful examination of Maryland's entire tax structure is premature.

The legislative approach proposed in this bill is inconsistent with the GBC's report, *Gaining the Competitive Edge: Keys to Economic Growth and Job Creation in Maryland*. The report identifies eight pillars for a competitive business environment. One of the pillars is:

Tax structure that is fair and competitive. Maryland's tax policy must be perceived by business as being competitive and devoid of elements that unreasonably target specific businesses or business sectors.

The GBC instead calls for policymakers to undertake a careful and comprehensive examination of Maryland's tax structure.

Maryland faces long-term fiscal challenges with looming structural deficits and a need to create sufficient revenue to provide funding for education reform. Maryland's policymakers have an opportunity to undertake a serious discussion about transformative change in the form of comprehensive tax reform. A vehicle for such reform is Senate Bill 223 -- *Commission on Tax Policy, Reform, and Fairness*. This bill calls for the creation of a commission that will conduct a comprehensive examination of Maryland's tax structure and make recommendations for reform by December 1, 2021. The GBC strongly supports the proposal advanced in SB 223 and urges the Senate Budget and Taxation Committee to seriously consider such an approach rather than a piecemeal effort.

The Greater Baltimore Committee (GBC) is a non-partisan, independent, regional business advocacy organization comprised of hundreds of businesses -- large, medium and small -- educational institutions, nonprofit organizations and foundations located in Anne Arundel, Baltimore, Carroll, Harford, and Howard counties as well as Baltimore City. The GBC is a 65-year-old, private-sector membership organization with a rich legacy of working with government to find solutions to problems that negatively affect our competitiveness and viability.

GREATER BALTIMORE COMMITTEE

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