



**TESTIMONY PRESENTED TO THE SENATE BUDGET AND TAXATION COMMITTEE**

**SENATE BILL 223 – COMMISSION ON TAX POLICY, REFORM, AND FAIRNESS**

**January 29, 2020**

**DONALD C. FRY  
PRESIDENT & CEO  
GREATER BALTIMORE COMMITTEE**

**Position: Support**

The Greater Baltimore Committee (GBC) supports Senate Bill 223, which creates the Commission on Tax Policy, Reform, and Fairness. The Commission would: (1) study the current revenue structure of the State, including income, sales, corporate, motor fuel, excise, and property taxes, tax exemptions and credits, and fees; (2) review the academic and economic research on tax policy to assist in the overall assessment of efficacy, fairness, and competitiveness of the current revenue structure; (3) review the revenue structure of neighboring jurisdictions; (4) consider the nature of the State’s economy and the importance of service and professional businesses to economic development; (5) consider whether the current revenue structure should be reformed, modified, and modernized; and (6) make recommendations regarding changes to the State’s revenue structure that: (i) promote job growth and economic development; (ii) ensure fairness, simplicity, and transparency; (iii) provide a stable, balanced, and reliable revenue stream, while not reducing services; and (iv) create a business–friendly environment. A final report of findings and recommendations would be required on or before December 1, 2021.

Passing tax legislation in a piecemeal fashion increases the likelihood of creating inefficient and disjointed policy. SB 223 addresses this issue by instigating a comprehensive review of Maryland’s entire system of taxation and creates the opportunity for a top down review and overhaul. This bill focuses on ensuring a balanced revenue stream, but also addresses fairness and competitiveness issues, which remain at the core of tax reform.

In many ways, Maryland’s tax structure is a product of a bygone era that heavily focused on the sale of goods and products rather than services. Additionally, the current tax structure was largely instituted in an era before the Internet or the proliferation of online purchasing. A modernized system that is simpler in nature and captures more taxes across a broader spectrum is likely fairer and more equitable.

Regarding corporate taxes and taxation of business entities, the GBC asserts that passing legislation in a vacuum and with limited consideration of how tax law changes relate to one another creates uncertainty for employers, harms Maryland’s competitiveness, and hampers job creation efforts. It is paramount that a variety of voices are considered when debating significant changes to the way businesses and corporations are taxed. The goal, if done collaboratively, is a tax structure that is fair, competitive, and able to make investments in a better Maryland for all its citizens.

Senate Bill 223 is consistent with a key tenet in *Gaining the Competitive Edge: Keys to Economic Growth and Job Creation in Maryland*, a report published by the GBC that identifies eight core pillars for a competitive business environment and job growth:

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**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.

Furthermore, the Greater Baltimore Committee's *2020 Legislative Priorities* state that a key priority is building a competitive, predictable and fair tax system. The passage of Senate Bill 223 would be an important step to meeting this important priority.

**For these reasons, the Greater Baltimore Committee urges a favorable report on Senate Bill 223.**

*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.*