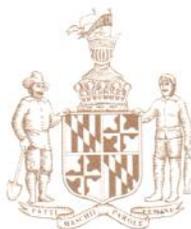


KATHLEEN M. DUMAIS
Legislative District 15
Montgomery County

Vice Chair
Economic Matters Committee

Chair
Property and Casualty Insurance
Subcommittee

House Chair
Joint Committee on Legislative Ethics



The Maryland House of Delegates
ANNAPOLIS, MARYLAND 21401

The Maryland House of Delegates
6 Bladen Street, Room 231
Annapolis, Maryland 21401
410-841-3052 · 301-858-3052
800-492-7122 Ext. 3052
Fax 410-841-3219 · 301-858-3219
Kathleen.Dumais@house.state.md.us

February 4, 2020

Testimony in Support of House Bill 185 – Commission on Tax Policy, Reform, and Fairness

Good afternoon, Chairwoman Kaiser and members of the House Ways and Means Committee. Thank you for the opportunity to speak to you on behalf of **House Bill 185 – Commission on Tax Policy, Reform, and Fairness**.

By necessity, our tax structure is amended almost every year – one legislative session at a time. Whether a tax or fee increase addresses a particular fiscal need or budget deficit or a tax credit targets a specific economic development or conservation initiative, we have not had the ability to examine our actions from an overall or global policy perspective. Rather, because of the part time nature of our legislature, we enact tax policy in a patchwork or piecemeal fashion. I am certainly not advocating for a full time legislature. But, I do think we should periodically stop and analyze our tax policy and structure to determine whether there is a need for reform to make the system more fair and transparent and Maryland more competitive.

As best I can tell, the last time Maryland conducted such a review was under Governor Schaefer. The Maryland Commission on State Taxes and Tax Structure, commonly called the “Linowes Commission” because it was chaired by Robert Linowes, was established by Governor Schaefer in October 1987 and issued its final report in December 1990. Although I did not have a copy of the final report when I initially drafted the charge for the proposed Commission, now that I do it is very similar -- with the overriding purpose to make recommendations regarding changes to the State’s revenue structure that promote job growth and economic development.

We are all aware that there is a perception that the state of Maryland’s tax structure is unfriendly to business and to its residents. While I do not believe this is true, the perception unfortunately has become a reality for some, resulting in a damaged reputation for the State. And, as elected representatives of the state of the Maryland, we have the responsibility to truly understand the perception, determine if a problem really exists, and make recommendations to update our tax policy and structure so that we can ensure that Maryland has a vibrant and thriving economy.

HB 185 would create the Commission on Tax Policy, Reform, and Fairness and its members would be empowered to do the following:

- Study the current revenue structure of the State, including income, sales, corporate, motor fuel, excise, and property taxes, tax exemptions and credits, and fees;
- Review the academic and economic research on state and local tax policy to assist in the overall assessment of efficacy, fairness, and competitiveness of the State's current revenue structure;
- Review the revenue structure of neighboring jurisdictions for the purpose of evaluating the regional competitiveness of the State's tax structure;
- Consider the nature of the State's economy and the importance of service and professional businesses to economic development; and
- Consider whether or not the current revenue structure of the State should be reformed, modified, and modernized.

The Commission on Tax Policy, Reform, and Fairness would make recommendations regarding changes to the State's revenue policy and structure that: promote job growth and economic development; ensure fairness, simplicity, and transparency; provide a stable, balanced, and reliable revenue stream, while not reducing services; and create a business friendly environment.

The Commission would consist of the following: two members of the Maryland Senate and House of Delegates; the Maryland Comptroller; the Secretary of Budget and Management; a representative of the Maryland Association of Counties and the Maryland Chamber of Commerce; a representative of the Maryland Municipal League; a representative of the State Department of Assessments and Taxation; a representative of the Montgomery County Chamber of Commerce; a representative of the Greater Baltimore Committee; an economist; a faculty member of the University of Maryland School of Public Policy and of the Robert H. Smith School of Business; and two members of the public, each of whom shall be an attorney or an accountant knowledgeable about the State's tax structure. The House Speaker and Senate President would designate the co-chairs and the Maryland Comptroller and the Department of Legislative Services would provide staff for the Commission.

The commission must submit preliminary findings and recommendations to the governor and the General Assembly on or before December 1, 2020, and the final report is due on December 1, 2021. The Act shall take effect June 1, 2020 will remain in effect until June 30, 2022.

I respectfully request that the Ways and Means Committee issue a favorable report on House Bill 185.