



SB511 SUPPORT

Thomas Rhodes
Zeke's Coffee
zekesfreaks@gmail.com

SB511 Corporate Income Tax – Combined Reporting and Subtraction Modification for

Combined Groups of Corporations- SUPPORT

Budget and Taxation

February 3, 2021

Dear Chair Guy Guzzone and Budget and Taxation Committee Members,

For nearly 15 years, my wife Amy and I have devoted ourselves to building our business, Zeke's Coffee. We started in our garage, and our daughter used to decorate our coffee bags with her collection of ink stamps at the Baltimore Farmers Market. The work paid off. Today, we have more than two dozen employees, and our coffee sells throughout the mid-Atlantic region and beyond to New York and Pittsburgh.

Along the way, we have been proud to give back to the community – supporting countless local fundraisers or donating coffee to food pantries. I also give back to the community by paying taxes on our business income. Nobody likes paying taxes, but I appreciate the need to provide the things that make our communities stronger. We know that when we pay taxes we are contributing to a better Baltimore and a better state.

But I have learned that our state tax system is stacked against small businesses like mine. We are obliged to pay corporate income taxes, but many large multi-state corporations have found loopholes that allow them to avoid paying Maryland corporate income tax.

I was shocked to learn that about a third of the 150 largest corporations in Maryland pay nothing in state taxes in a given year, even though they are making big profits in our state and taking advantage of the public services we all chip in for.

This is incredibly frustrating to me and, I'm sure, many other small business owners who faithfully pay taxes to support schools, roads, healthcare and other state priorities. Companies who profit from selling a cup of coffee should pay the same share of corporate income taxes on those profits if they are a local coffee shop like mine or Starbucks. But, that isn't the way Maryland's tax law works currently.

There is legislation pending in the General Assembly to close these loopholes. One would require multi-state corporations to practice combined tax reporting, which means they would have to account for profits they generated in Maryland and pay corporate income taxes on them. Ask any small business owner if these loopholes are fair, and the answer will be a loud no.

We know we must pay income tax; we just want the state to treat all businesses the same, whether they're making profits of \$10 billion a year or \$10,000. Beyond the issue of fairness, our state must have the resources we need to support those dealing with the COVID-19 outbreak – both individuals and businesses who have been struggling the past 10 months. And we have many unmet needs across the state, whether it's making our schools better, rejuvenating struggling communities or improving our public transportation.

All of that takes money. We should require the big corporations to pay their fair share of taxes to generate additional resources. According to legislative analysts, closing these corporate loopholes would add more than \$300 million each year to our state budget. Do that and you will make a huge difference to Maryland's small businesses like ours.