

SB0693_FAV_MTC_Income Tax - Expensing of Business

Uploaded by: Christine Krone

Position: FAV



TO: The Honorable Guy Guzzone, Chair
Members, Senate Budget and Taxation Committee
The Honorable Chris West

FROM: Pamela Metz Kasemeyer
J. Steven Wise
Danna L. Kauffman
Christine K. Krone

DATE: March 2, 2022

RE: **SUPPORT** – Senate Bill 693 – *Income Tax – Expensing of Business Property – Recoupling With Federal Law*

The Maryland Tech Council (MTC) is a collaborative community, actively engaged in building stronger life science and technology companies by supporting the efforts of our individual members who are saving and improving lives through innovation. We support our member companies who are driving innovation through advocacy, education, workforce development, cost savings programs, and connecting entrepreneurial minds. The valuable resources we provide to our members help them reach their full potential making Maryland a global leader in the life sciences and technology industries. On behalf of MTC, we submit this letter of **support** for Senate Bill 693.

Senate Bill 693 repeals the Maryland income tax modifications for certain deductions for the cost of business property that is treated as an expense for federal tax purposes. It will allow certain businesses increased expensing by conforming the State income tax to the maximum aggregate costs of expensing allowed under Section 179 of the Internal Revenue Code (IRC). Currently, only \$25,000 can be taken for IRC Section 179 expenses on a Maryland return. Anything in addition to that amount that is expensed on a federal return is required to be added back in Maryland.

Passage of Senate Bill 693 will benefit the business community by allowing federal provisions to flow through to the calculation of Maryland income taxes, which will decrease tax burdens on these businesses. The bill will incentivize companies to invest in new equipment, and help small businesses alleviate the financial burden of acquiring a lot of equipment or software. This legislation will also make Maryland more competitive in the region on this issue. Virginia currently conforms to section 179, so the bill would see Maryland be on par with Virginia who directly competes with Maryland for recruitment and retention of industry. A favorable report is requested.

For more information call:

Pamela Metz Kasemeyer
J. Steven Wise
Danna L. Kauffman
Christine K. Krone
410-244-7000

Senator West SB 693 Income Tax Recoupling FAV.pdf

Uploaded by: Christopher West

Position: FAV

CHRIS WEST
Legislative District 42
Baltimore County

Judicial Proceedings Committee

Vice Chair, Baltimore County
Senate Delegation



THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Annapolis Office
James Senate Office Building
11 Bladen Street, Room 303
Annapolis, Maryland 21401
410-841-3648 · 301-858-3648
800-492-7122 Ext. 3648
Chris.West@senate.state.md.us

District Office
1134 York Road, Suite 200
Lutherville - Timonium, MD 21093
410-823-7087

March 2, 2022

The Senate Budget and Taxation Committee
The Honorable Guy Guzzone
3 West Miller Senate Building
Annapolis, MD, 21401

Re: SB 693 - Income Tax - Expensing of Business Property - Recoupling With Federal Law

Dear Chairman Guzzone and members of the Committee,

Manufacturing is one of the most profound drivers of economic growth in the State of Maryland. Regardless of the product, manufacturers rely on fixed assets like equipment to maintain their operations. The current tax law on depreciation of these assets is especially burdensome on Maryland manufacturers compared to manufacturers in other states.

Section 179 of the federal Internal Revenue Code (IRC) allows manufacturers to take an immediate tax deduction for business expenses related to depreciable assets such as equipment that manufacturers need for production. But the state allows manufacturers to deduct only up to \$25,000 a year.

Senate Bill 693 simply aligns Maryland's equipment depreciation schedule with the federal depreciation schedule (allowing deductions up to \$1,050,000) so manufacturers can reinvest the funds faster to stay competitive and meet the demands of fast-evolving manufacturing industries.

This bill empowers Maryland manufacturers, making the state more competitive and prosperous, as well as create more jobs for our residents.

I appreciate the Committee's consideration of Senate Bill 693 and will be happy to answer any follow-up questions the Committee may have.

InFavorofSB0693.pdf

Uploaded by: Jack Weber

Position: FAV



501 West 23rd Street . Baltimore, Maryland 21211
410-889-8686 . 410-889-8687 fax . 800-896-8023 toll free
www.uptownpress.com

SB0693– Budget and Taxation Committee- Income Tax-Expensing of Business Property -Recoupling With Federal Law

Dear Members of Budget and Taxation Committee:

By moving SB0693 forward, this action would greatly help my business purchase much needed, advanced manufacturing equipment and make it clear to all manufacturing businesses of the coupling with IRS 179 depreciation.

Unfortunately, one of the digital printing presses I purchased not long ago for \$500,000, became obsolete in less than five years and had to be removed for scrap!

This negatively impacted my capability to respond to the demand-needs locally and beyond.

If SB0693 becomes law, the ability to depreciate new, replacement equipment over one year, would give me the additional momentum needed to move ahead with the proposed purchase and make it clear to my accountant the 179 pass through is clearly available for my business.

Fortunately, this would not impact State of Maryland taxes in the long run since I would be depreciating the new equipment over seven years.

By investing over \$1,000,000 in advanced manufacturing equipment, our company will be able to compete globally, bring new business to Maryland, hire additional staff and benefit job creation in Baltimore City.

I believe this is a great example of a win-win opportunity. I am hopeful that SB0693 will pass with your support.

Jack Weber

President
Uptown Press, Inc.

SB693 - Income Tax – Expensing of Business Propert

Uploaded by: Jane Redicker

Position: FAV



OUR MISSION:

Working to enhance the economic prosperity of greater Silver Spring through robust promotion of our member businesses and unrelenting advocacy on their behalf.

**SB693 – Income Tax - Expensing of Business Property - Recoupling With Federal Law
(Maryland Manufacturing Tax Relief Act of 2022)**

Budget and Taxation Committee

March 2, 2022

FAVORABLE

On behalf of the Greater Silver Spring Chamber of Commerce, representing 400 member organizations, including very small businesses with fewer than ten employees and several nonprofits, in the greater Silver Spring area of Montgomery County, I write to express our support for SB693 – Corporations and Associations - Annual Reports – Filing Fees.

Our tax codes and filing requirements are complex even for the most experienced business owner. Differences in deductions allowed on Federal returns versus State returns complicates the matter even further. Recoupling the treatment of business property with Federal law just makes sense.

For these reasons, the Greater Silver Spring Chamber of Commerce respectfully requests a **FAVORABLE committee report on SB693.**

Jane Redicker

President & CEO

Greater Silver Spring Chamber of Commerce

8601 Georgia Avenue #203

Silver Spring, MD 20910

Office: (301) 565-3777

Mobile: (301) 466-8997

www.gsscc.org

SB 693_MDCC_Income Tax - Expensing of Business Pro

Uploaded by: Maddy Voytek

Position: FAV



LEGISLATIVE POSITION:

Favorable

Senate Bill 693

Income Tax - Expensing of Business Property - Recoupling With Federal Law (Maryland Manufacturing Tax Relief Act of 2022)

Senate Budget & Taxation Committee

Wednesday, March 2, 2022

Dear Chairman Guzzone and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 5,500 members and federated partners working to develop and promote strong public policy that ensures sustained economic recovery and growth for Maryland businesses, employees, and families.

Currently (except for manufacturers covered under The More Jobs for Marylanders Program), the state is decoupled from any increased expensing under Section 179 and additional depreciation amounts under Section 168(k) of Internal Revenue Code (IRC). This means that taxpayers must make an adjustment for Maryland income tax purposes to reflect the changes made to the maximum aggregate costs of expensing under these sections. SB 693 would recouple Maryland with the federal law, thus allowing increased expensing by impacted businesses.

Small businesses, especially manufacturers, are the backbone of our economy. By recoupling with federal law, Maryland employers, employees and their families will be provided with much needed relief, opportunity and incentives to continue to grow and prosper in the State. SB 693 is a great example of government supporting both small businesses and their workforce by taking a proactive approach to economic recovery.

Additionally, SB 693 removes complications when it comes to filing taxes. As stated above, a business must adjust for Maryland income tax purposes. This difference between Maryland law and Federal law disproportionately impacts small businesses that do not always have access to extra funds and resources needed to make sure everything is in compliance. SB 693 would remove this additional headache and make Maryland return preparation a much easier process.

With these comments in mind, The Maryland Chamber of Commerce respectfully requests a **favorable report** on **SB 693**.

Favorable SB693 Regional Manufacturing Institute.p

Uploaded by: Michael Galiazzo

Position: FAV



2022 Board of Directors

Executive Officers

Chair

Aris Melissaratos

ArMel Scientifics

Vice Chair

Susan Ganz

Lion Brothers

Treasurer/ Secretary

Ken Sanchez

Chesapeake Specialty

RMI President

Mike Galiazzo

MEMBERS

Randy Altschuler

Xometry

Nick DeSimone

Stanley, Black & Decker

April Richardson, Esq.

Food Opportunity

Jim Glowacki

Textron Systems

Cornelius Grupp

C-care

David Pollock

Green Bay Packaging

Douglas Hamilton III

Hamilton Associates

Neill Christopher

Acadia Windows & Doors

Luke Chow

Prime Manufacturing

Scott Wiley

Product Support Inc.

Keith Miller

Strategic Factory

James Russell

North American Millwright

Jim Burnette

Alliance Engineering

Michael Raphael

Direct Dimensions

Michael Binko

Kloudtrack Cyber

Michael Kelleher

Maryland MEP

Sandra Kurtinitis

Community College of

Baltimore County

Anita Kassof

Baltimore Museum of Industry

Neill Christopher

The Arc Northern Chesapeake

Todd Sabin

Maryland Department of

Commerce

Michele Whelley

Economic Alliance of

Greater Baltimore

Leonard Howie

Baltimore County Economic &

Workforce Development

John Freeburger

Community Member

March 1, 2022

To: Members Budget and Taxation Committee

From: Michael Galiazzo, President Regional Manufacturing Institute of Maryland
Re: Favorable – SB0693: Maryland Manufacturing Tax Relief Act of 2022

On behalf of the private sector manufacturing members of the Regional Manufacturing Institute of Maryland, I am writing in support of SB0693: Maryland Manufacturing Tax Relief Act of 2022.

SB0693 will aid all Maryland manufacturers in several important ways to grow Maryland's economy including:

- 1) Putting all Maryland manufacturers on a level "playing field" with other states.
- 2) In an era of transformation in manufacturing, companies need to purchase new equipment more often to maintain globally competitive. This bill supports all manufacturing companies that will need to upgrade equipment more frequently.
- 3) The majority of Maryland manufacturers are small to medium size. Having accelerated depreciation for all manufacturers will be a boost to these companies,
- 4) RMI is a strong advocate of growing our minority manufacturing base. Many are small companies. Passage of this bill will help them to adopt new technologies more frequently and compete with other states who currently enjoy better benefits.

There are other advantages that manufacturers will have with the passage of SB0693 to compete with other states.

I ask that you please give this bill a favorable vote.

Thank you.

SB693 PGAMA(1).pdf

Uploaded by: Tyler Bennett

Position: FAV



SB693 Income Tax - Expensing of Business Property - Recoupling With Federal Law Favorable

Dear Members of the Budget & Taxation Committee,

The Printing & Graphics Association Mid-Atlantic (PGAMA) respectfully supports SB693. The printing & graphics industry in Maryland encompasses roughly 16,000 employees across 500 companies and is among the largest manufacturing sectors in the state. This legislation, which would couple depreciation with the federal statutes, would, not only create an incentive to invest by printing companies in Maryland, but have a neutral impact on revenues long term. By encouraging our member companies to invest in new equipment and technology, new and better paying jobs would be created. Most of our members are small businesses facing extraordinary market challenges and this legislation would be an incentive to continue to operate and grow.

During the 2021 legislative session, the General Assembly established the Workgroup to Study the Transformation of Manufacturing in Maryland's Emerging Digital Economy, on which PGAMA was represented. The workgroup met over the interim and among the topics of discussion was an increase in the accelerated depreciation afforded under Maryland's tax code. The state tax code largely conforms to the federal tax code, except where explicit decoupling statutes exist. One of those instances is Section 179 of the IRC. Current federal limits on expensing are \$1 million with a dollar-for-dollar phase out beginning if the capital expenditures exceed \$2.5 million. These figures were increased in 2017 from \$500,000 and \$2 million respectively. Prior to that, in 2015, these limits were scheduled to decrease to \$25,000, with a phase-out at \$200,000. These are Maryland's current limits. However, Congress chose to extend the higher limits as part of the Protecting Americans from Tax Hikes (PATH) Act of 2015.

We understand that as part of the More Jobs for Marylanders Act of 2017, this benefit was extended to "manufacturing entities" beginning in tax year 2019. However, many manufacturers, as well as our own tax professionals were unaware of this change. We have even been told by tax professionals that their accounting software does not allow for the increased depreciation limit. It may be that the statute is unclear, but we hope that this legislation sheds light on this issue and provokes any necessary change that would allow Maryland manufacturers to take advantage of this provision.

Due to the unprecedented challenges created by myriad issues, most of which our member companies had no control over, this legislation would create some positive energy for our industry and by virtue of our size, create a positive impact on the economy of the state of Maryland.

Jay Goldscher
President and CEO
PGAMA
jay@pgama.com

Tyler Bennett
Compass Government Relations Partners
tbennett@compassadvocacy.com

SB0693-BT_MACo_OPP.pdf

Uploaded by: Kevin Kinnally

Position: UNF



Senate Bill 693

Income Tax - Expensing of Business Property - Recoupling With Federal Law

MACo Position: **OPPOSE**

To: Budget and Taxation Committee

Date: March 2, 2022

From: Kevin Kinnally

Tax Incentives and Local Government Autonomy

Counties are eager and committed partners in promoting economic growth and creating opportunity – and prefer local autonomy in determining the best way locally. The Maryland Association of Counties (MACo) opposes state-mandated reductions in local revenue sources, but county governments welcome flexible and optional tools to serve and react to local needs and community priorities.

The General Assembly routinely considers broad or targeted tax incentives to stimulate economic growth, encourage beneficial activities, or attract and retain residents. These proposals sometimes focus exclusively on the state's tax structure, but often extend to local revenues as well.

In general, MACo stands for local self-determination. Counties, led by locally elected leaders directly accountable within the communities they serve, are best positioned to govern local affairs – ranging from land use to fiscal matters. MACo steadfastly guards this local autonomy and consistently advocates against one-size-fits-all policies that override local decision-making.

State tax incentives should be enacted as "local option" offerings to allow counties maximum flexibility in tailoring local policies to meet local needs and priorities. The State and its local governments already work together here – where the State routinely grants a state-level property tax credit, but then enables county governments to enact their own as a local option.

MACo urges the Committee to primarily consider state income tax credits as the best means to incorporate local tax relief as part of a broader policy. MACo and county governments stand ready to work with state policymakers to craft flexible and optional tools to deliver broad or targeted tax incentives, but resist state-mandated changes that preclude local input.