



Montgomery County Chamber of Commerce
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October 5, 2015

Norman R. Augustine
6801 Rockledge Drive
Bethesda, MD 20817

RE: MCCC Recommendations on Maryland Tax Policy

Dear Mr. Augustine and Members of the Maryland Economic Development and Business Climate Commission:

Maryland's regional competitiveness is an urgent need that must be addressed.

A broad and diverse tax base generates the revenue that makes Maryland great. This tax base is at risk. Recent data from 2012 and 2013¹ demonstrates that Maryland is experiencing "net out-migration" by people age 55+ who are in higher tax brackets. The State of Maryland needs to retain existing and attract new smart, bright, well-educated, successful individuals and businesses in order to maintain and further position our state as a destination where all Marylanders have the opportunity to thrive.

The Montgomery County Chamber of Commerce ("MCCC") is on record supporting many of the business climate and regulatory recommendations the Commission has proposed. We continue to be engaged in your work and are equally committed to achieving an equitable and efficient tax structure that makes Maryland competitive while funding important government services.

To that end, the **MCCC Board of Directors' Business Environment Council** has compiled meaningful and practical recommendations on tax policy for inclusion in your report to the General Assembly.

Our guiding principle is that in order for businesses to operate and succeed, policies must be responsive to a dynamic marketplace while also creating stability and predictability.

¹IRS State Migration by Age and Income for Migration Years 2012 & 2013, Mark Goldstein, Maryland Department of Planning
http://planning.maryland.gov/msdc/IRSMigr/2012&2013_Age&Income/State%20Migration%20by%20Age&Income_2012&2013_R.pdf



As you have discussed in your meetings, policies must recognize that:

- Business growth and job growth is concentrated in small businesses typically organized as “Pass Through Entities” (PTE).
- Few if any large corporations operate solely in Maryland.
- Efficiencies establish good government and best practices and most often provide a no-cost measure to improve the business climate.
- Perceptions take time to reverse, but no change occurs without definitive actions.

Taking these factors into consideration, **we offer the following recommendations:**

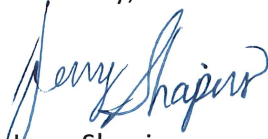
- Reduce the Corporate Income Tax Rate and the Individual Income Tax Rates to be competitive with rates in surrounding jurisdictions.
- Modify tax brackets to provide relief to low-income earners.
- Adopt a single sales factor apportionment formula for all business (not just manufacturing) that is more reflective of overall economics of a business and creates a better environment for in-state businesses.
- Implement a subtraction modification to address the tax burden on the largest segment of the business community: Sole proprietorships, partnerships, LLCs and S corporations considered Pass-Through Entities (PTE).
- Provide means-tested relief (e.g. subtraction modification or lower rates) on specific forms of retirement income (401K, IRAs, etc.) taxed in Maryland to incentivize retirees to remain Maryland residents.
- Synchronize user fee revenue to the related purpose and not to support general operating activities.
- Streamline administrative processes and reduce undue costs to provide both administrative and financial relief. Specific examples include:
 - a) Invest in technological solutions
 - i) Put all excise tax filings online to create parity with the other forms of state filings (e.g., sales tax and employment tax filings)

- ii) Implement a real time, on-line registration procedure for the sales tax registration process which can take up to a few weeks to complete for a new hotel property in Maryland
- b) Eliminate the personal property tax return filing fee of \$300 per filing for each entity registered in Maryland (even if the entity has no personal property to report)
- Where practical, conform with Federal practices:
 - a) Change the Maryland due dates to conform to the new federal due dates, many of which are effective beginning next year.
 - b) Conform to the federal estate exemption for inheritance tax to encourage retaining wealth in Maryland.
 - c) Establish a policy to synchronize interest rates in Maryland to be consistent with interest rates assessed by the federal government.
- Oppose Combined Reporting. It will not provide predictable revenue to the state and the administration of this process is cumbersome and burdensome for businesses and the state.
- Use tax credits and incentives strategically to attract certain businesses and industries. Provide flexibility for these programs, including a refundable mechanism in the filing process, to further economic development goals.
- For small business entities, provide a credit for the cost of providing health care benefits above federal, state and county mandated levels.

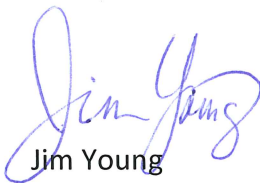
We sincerely appreciate the considerable time and effort you have put into this endeavor and we understand the balanced approach you must take. To that end, the recommendations outlined above will improve Maryland's position in the marketplace while preserving the vital services the State of Maryland provides. The need for these changes is urgent to ensure a vibrant and growing economy for the next generation.

Thank you for your consideration.

Sincerely,



Jerry Shapiro
MCCC Board Chairman



Jim Young
Chair, MCCC Business
Environment Council



Georgette "Gigi" Godwin
President and CEO