

# When it comes to new taxes, business is far from united

RACHEL SAMS | STAFF  
rsams@bizjournals.com

Think the business community is of one mind when it comes to the debate over taxes in Maryland? Think again.

Gov. Martin O'Malley has rolled out a package of tax reform proposals that would affect every Maryland business. But some proposals would affect industries differently, and would have different effects on large and small businesses. That means business advocacy groups have varying priorities, and some are even coming forward to propose higher taxes themselves — a move few expect from businesspeople.

"I think consensus in the business community is going to be very, very difficult to achieve," said Thomas Saquella, president of the Maryland Retailers Association. "Not speaking with one voice is going to make it more difficult, there's no question about that."

O'Malley has proposed raising the state's corporate income tax from 7 percent to 8 percent, which many businesses oppose. An Ernst & Young study commissioned by a coalition of business groups projected that more high-wage jobs would be lost with the corporate tax increase than with other tax changes under consideration.

Still, some business groups may not fight a corporate tax increase, focusing instead on other issues. O'Malley has proposed increasing the state sales tax from 5 percent to 6 percent, an effort the Maryland Retailers Association strongly opposes. The governor's proposal also includes expanding the sales tax to some services, including health clubs, real estate property management, tanning salons and massage therapists.

E-mails are flying in the real estate community urging officials to oppose expanding the tax to property management. Saquella said the Retailers' Association could potentially support broadening the sales tax to consumer services, but not professional services. And the Maryland Association of Certified Public Accountants thinks a corporate tax increase might be less burdensome to the business community than extending the sales tax to professional services like accountancy. Executive Director Thomas Hood said in an interview.

Many in the business community oppose O'Malley's proposal for "combined reporting." Today, if a Maryland company does business under different subsidiaries, each can file taxes separately. Combined reporting would require all of a business' entities that work together to file together, which critics say increases companies' tax burden by eliminating some deductions.

The Ernst & Young study projected that combined reporting would cost the state more jobs per \$1 million of tax revenue raised than any other tax proposal it examined.

At press time, the Maryland Public Interest Research Group, Progressive Maryland and other advocacy groups were planning a Sept. 27 press conference with small businesspeople who support combined reporting.

"Combined reporting embraces a very simple principle — that a company should report all its income to the comptroller and pay tax on it, just like an individual has to report the income you and I make," Progressive Maryland Executive Director Sean Dobson said.

The **Greater Baltimore Committee** is urging O'Malley to add a 10-cent increase in the gas tax to his policy package. GBC CEO Donald C. Fry has said the state transportation trust fund needs \$600 million a year to move forward on projects such as highways and mass transit expansions. O'Malley's revenue proposals provide for \$400 million for the trust fund and link future gas tax increases to an index of construction costs.

With the array of viewpoints on tax issues, some business groups haven't settled on a position. They're waiting on members' input.

## Balancing the Budget

Gov. Martin O'Malley's tax proposals for solving a projected \$1.7 billion budget shortfall next year include:

**INCREASING THE STATE'S CORPORATE INCOME TAX** from 7 percent to 8 percent.

**INCREASING THE STATE'S SALES TAX** from 5 percent to 6 percent.

**BROADENING THE SALES TAX** to include real estate property management, health clubs, massage services and tanning salons.

## CHANGING THE INCOME TAX STRUCTURE

The state now applies a 4.75 percent income tax to taxable income over \$3,000. O'Malley's tax proposal would reduce income taxes for typical married couples earning less than \$250,000 and single filers earning less than \$185,000. The proposal would raise the income tax rate for married couples earning more than \$200,000 a year to 6 percent and the rate for anyone earning more than \$500,000 a year to 6.5 percent.

**COMBINED REPORTING** Today, if a Maryland firm does business under different subsidiaries, those entities can file their taxes separately. Under combined reporting, all of a business' entities that work together in a state would have to file together.

**THE GREATER BALTIMORE COMMITTEE** is advocating a 10-cent increase in the gasoline tax, which goes to the state's transportation trust fund. O'Malley's plan would link future gas taxes to an index of construction costs.

Source: O'Malley administration, Greater Baltimore Committee

Printing imperfections present during scanning

