

Business Coalition Releases Tax Study

A coalition of Maryland business organizations has released a study analyzing the economic and fiscal impacts of tax policy options being discussed by state policy makers as they address Maryland's \$1.5 billion structural budget deficit.

Participating organizations include the American Council of Engineering Companies/Maryland, **Greater Baltimore Committee**, Greater Washington Board of Trade, Maryland Association of CPAs, Maryland Bankers Association and the Maryland Chamber of Commerce.

Chambers of commerce participating include those in Baltimore, Cecil, Frederick, Garrett, Harford, Howard, Montgomery, Prince George's, Queen Anne's, St. Mary's and Talbot counties, as well as chambers that cover regions like the Baltimore-Washington Corridor, Greater Silver Spring, Greater Bethesda/Chevy Chase, Hagerstown/Washington County and West Anne Arundel County.

The study was conducted by Ernst & Young's Quantitative Economics & Statistics Practice. It focuses the impact of a sales tax rate increase, expansion of the sales tax to services, and corporate and personal income

tax changes.

"Fiscal notes for these tax increase proposals rarely pinpoint the economic impact of tax increases on the retention or recruitment of jobs in Maryland," said Kathy Snyder, president and CEO of the Maryland Chamber of Commerce. "Knowing how each kind of tax would impact the economy would help guide legislators and the administration in their decision making."

Key findings of the study include:

- Maryland businesses will pay a significant share of the increased taxes under most of the options evaluated. Business would pay 40% of a sales tax rate increase, 79% of a sales tax expansion to professional services and as much as 33% of adding a 6% top individual tax rate bracket.
- Changes to corporate taxation have the highest cost of all the policy options in number of jobs lost per \$1 million of tax revenue raised. The incidence of jobs losses across the sectors of the economy varies. A comparison of the corporate income tax rate change and the sales tax rate change shows that the corporate income tax increase results in a larger share of jobs losses in higher-paying occupations.