

GOVERNMENT

Business groups want more transportation funds

Gas tax would be tied to construction; titling and corporate levies would rise

BY ANDY ROSEN

andy.rosen@mddailyrecord.com

GAITHERSBURG — The state gasoline tax would be tied to the cost of construction, taxes would go up for titling vehicles and corporate income taxes would increase by 1 percentage point under a transportation funding plan introduced Monday by Gov. Martin O'Malley.

The plan is projected to raise \$392 million per year for the state's transportation trust fund, while a portion of corporate income tax would go toward higher education.

Some in the business community said the increase in transportation funding is not enough to offset the load that O'Malley's tax plan could place on them.

Donald C. Fry, president and CEO of the **Greater Baltimore**

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Committee, said the transportation money proposed by O'Malley "does not begin to meet the demonstrated needs that the state is facing." The GBC has called for a 10 cent increase in the current 23.5 cent-per-gallon gasoline tax, and \$600 million in new transportation funding.

Fry said the state needs more than half of the new transportation money just to maintain roads, and has about \$40 billion in unmet transportation needs.

"It certainly is somewhat frustrating to see that a lot of the burden of the tax package is going to rest on the business community," Fry said. "I certainly would hope that the governor and the legislative leaders would find a way to meet our

No. 1 priority."

O'Malley signaled that he is open to continued discussion of transportation revenue. The gasoline tax would not increase immediately, and would likely raise the tax in increments of less than 1 cent.

"We don't have any illusions. We know the \$400 million that we invest to increase transportation funding is for system maintenance, and we would like to invest more," he said, adding that he hopes to see more federal money. "It would also be helpful if members of the business community would continue to join with us in this public discourse about the needs that our state has in transportation, and I'm hopeful that they will."

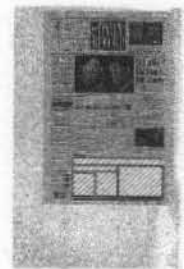
O'Malley said his proposals represent the first major funding increase for transportation in more than a decade. He said he also wants to stop transfers from the state's dedicated transportation trust fund into the general fund, and move money from a rental car tax to the transportation fund.

The largest piece of new revenue would come from a 1 percentage point increase in the state titling tax for vehicles — projected at \$166 million.

Peter Kitzmiller, president of the **Maryland New Car and Truck Dealers Association**, said his industry's contribution to the transportation fund has grown from \$494 million to \$720 million since 1998. New car dealers are struggling in an economy that has slowed, he said.

"We're trying to be realistic," Kitzmiller said. "We recognize that there's a big hole in the transportation trust fund for a lot of reasons, but raising the titling tax from 5 to 6 percent is basically going to kill us."

The dealers association is advocating



for what Kitzmiller calls "trade balance" titling tax. If the tax goes up, he said, the tax should apply only to what consumers pay for a vehicle after deducting the cost of any trade-in they have. He said that could raise \$70 million.

Paul Fiore, director of government affairs for the **Washington, Maryland, Delaware Service Station & Automotive Repair Association**, called an increase in the gasoline tax a user's fee on roads. He said O'Malley's proposal to end transfers into the general fund is "a start," but his group would like to see a dedicated source of money for road projects.

Senate Minority Whip Allan H. Kittleman, R-Carroll and Howard, said he does not believe Maryland should subsidize transit projects that will are not supported by ridership.

"People in Maryland are using automobiles," he said, "and while I'm not opposed to [transit] if it's being used, it's important that we put our money where we use it."

Kittleman said he is concerned

about the boost in corporate taxes, which he believes will cause jobs to leave Maryland.

O'Malley pointed out that the corporate income tax will still be lower here than in Pennsylvania, Delaware, West Virginia and the District of Columbia.

William R. Burns, spokesman for the **Maryland Chamber of Commerce**, pointed to another aspect of O'Malley's plan, which would require groups of affiliated corporations to calculate their combined income, and determine for tax purposes how much of that income was generated in Maryland.

The chamber has historically opposed the implementation of such a system, termed "combined reporting," largely on the grounds that it creates more work for corporations that locate here.

O'Malley has argued that the system would close corporate tax loopholes.

"We think it's not a loophole closer," Burns said. "It's a complete restructuring of the corporate income tax structure."



Gov. Martin O'Malley, speaking at a Gaithersburg park-and-ride, said Monday his proposals represent the first major funding increase for transportation in more than a decade.

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