

# Assembly Adjourns, Deficit Looms, Solutions Left Unresolved

**T**he Maryland General Assembly adjourned with little fanfare and a clear understanding that the next time it meets, the debate will center on closing the \$1.5 billion structural deficit.

The House Ways and Means Committee held hours of hearings on a host of bills that could raise new revenue but took no action on most of them, instead waiting for Gov. Martin O'Malley to make the first move and show direction.

The governor indicated his desire to take an in-depth look at the state's services, look for efficiencies and then seek the appropriate avenue to close the deficit. President of the Senate Mike Miller, on the other hand, urged the Assembly to act now to pass a slots bill as part of the solution to close the deficit. The revenue projections if slots are introduced in Maryland vary, but range from \$600 million to more than \$1 billion.

There's speculation that the Assembly will meet in a special session before the 2008 session to close the deficit and pass new taxes. There are a host of different scenarios or options for new revenue on the table, including:

## SALES-TAX INCREASE

Delegate Luiz Simmons from Montgomery County proposed increasing the sales tax in Maryland from 5 percent to 6 percent, which would raise about \$700 million in new revenue annually. The rates in surrounding jurisdictions are: District of Columbia, 5.75 percent; West Virginia, 6 percent; Pennsylvania, 6 percent; and Virginia, 5 percent. Delaware does not have a sales tax, but it does have a gross-receipts tax. We testified against this proposal and will continue to oppose a sales-tax increase.

## SALES TAX ON SERVICES

Delegate Jim Gilchrest from Montgomery County introduced H.B. 448, Sales and Use Tax—Services. The legislation would expand the sales-tax base to include vehicle repairs, parking, storage, tax preparation, direct mail, printing brokerage, employment agency and temporary help, among many others. The costs to business associated with this legislation are enormous, raising an estimated \$660 million in new revenue.

Phyllis Burlage, owner of Burlage Associates and NFIB/Maryland Leadership Council member, testified against this proposal on behalf of our members. We will

continue to oppose an expansion of the sales tax to business services.

## CORPORATE-FILING-FEE INCREASE

Delegate Tom Hucker from Montgomery County introduced H.B. 1053, which would increase the filing fee for annual reports filed by specified corporations from \$300 to \$1,000. The bill did provide a credit against the state income tax for \$500 of the filing fee paid by Maryland companies. Passage of the legislation is expected to raise approximately \$80 million dollars in new revenue.

State Director Ellen Valentino testified against this legislation. NFIB will continue to oppose an increase in the corporate filing fees for small-business owners.

## OTHER TAXES BEING DISCUSSED

Several proposals have been put forth to increase the cigarette tax by \$1 to pay for the expansion of Medicaid and other health-care-related costs. The \$1 tobacco-tax increase is expected to raise approximately \$175 million in new revenue. In addition, there's been discussion about increasing the state income tax, property tax, corporate income tax and alcohol tax, and establishing a new gross receipts and payroll tax.

## MARYLAND BECOMES FIRST IN THE COUNTRY TO PASS STATEWIDE LIVING-WAGE LAW

**MARYLAND BECAME THE FIRST STATE** in the country to pass a statewide living-wage law, a campaign promise and top priority for Gov. Martin O'Malley and union organizations.

Under the proposal, employers who hold a contract worth \$100,000 or more with the state to provide services will be required to pay employees a living wage of either \$11.30 or \$8.50. The higher wage of \$11.30 would be paid if the contracted services are provided in Baltimore, Prince George's, Montgomery, Anne Arundel and Howard counties, and Baltimore City. The lower wage of \$8.50 would be mandated in all other areas of the state.

Before final passage, we worked with other organizations, including the Associated Builders and Contractors Association, to pass several amendments, including an exemption for small-business owners with 10 or fewer employees if the contract award is less than \$500,000, and removing criminal penalties.

We will continue to oppose new employer wage mandates.

## Comparative Fault Legislation Withdrawn

After hearing from a host of small-business owners across the state, H.B. 110, Maryland Comparative Negligence Act, was withdrawn due to lack of support in the House of Delegates. The Senate Committee took no action.

"Membership played a key role in preventing action on this bill," says Ellen Valentino, Maryland's state director.

The legislation would have eliminated contributory negligence as a bar to recovery in negligence actions. In its place would have been comparative negligence, allowing recovery any time the plaintiff's fault is less than the defendant's.