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**Testimony of Greg LeRoy, Executive Director, Good Jobs First  
To the Maryland General Assembly Ways and Means Committee  
Regarding House Bill 1088  
Effective Corporate Tax Rate Transparency Act of 2020  
February 25, 2020**

Thank you for the opportunity to comment on HB 1088. My name is Greg LeRoy; I founded and direct Good Jobs First, a non-profit, non-partisan research center that promotes accountability, transparency and equity in economic development incentive programs. Founded in 1998, we are based in Washington DC. I reside in Montgomery County and my wife and I have two children currently enrolled in Montgomery County Public Schools.

We enthusiastically support House Bill 1088 for three primary reasons:

**First: The actual, effective corporate income tax rate must exist as a public record.** Maryland cannot credibly claim to have a 21<sup>st</sup>-century tax system if it does not know, and state publicly, what corporations actually pay. You can be sure that site location consultants and tax advisory firms and some “business climate” ratings groups (using representative-firm analyses) have that information, in fine detail, down to NAICS code, type of company operation, etc. (See, for example, Dr. Peter Fisher’s deep analysis of “business climate” models espoused by several pro-corporate groups.<sup>1</sup>) By failing to calculate and publish such information, the State of Maryland excludes most of the public from any debate over how proposed changes to the corporate tax code will affect any group of employers. Instead, the status quo leaves the debate in the hands of private, for-profit insiders. Any claims made by business lobbyists become difficult to verify or challenge because lawmakers lack the empirical basis to do so. In short, absent public disclosure, the State leaves a critical public policy issue effectively privatized.

**Second: Tax-rate transparency is an absolute must for fairness to small business.** As Good Jobs First documented in two studies<sup>2</sup>, state economic development programs—even those available to companies of every size—grossly favor large, multi-state, multinational corporations. This is true despite the fact that large corporations need incentives the least: they already have access to credit, market share, and management depth. It is also well-established that economic development subsidies are a major cause of declining corporate support for state-funded public services—services such as education and infrastructure that equitably benefit employers small and large.

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<sup>1</sup> See Dr. Fisher’s ongoing analyses at: <http://www.gradingstates.org/#>.

<sup>2</sup> See the two Good Jobs First studies at: <https://www.goodjobsfirst.org/shortchanging> and <http://www.goodjobsfirst.org/sites/default/files/docs/pdf/slicingthebudget.pdf>.

Therefore, one critical value of HB 1088 will be to disaggregate the effects of tax credits, apportionment formulas, net-loss carryforwards, etc., on corporations' effective tax rates by company size. That will enable state lawmakers and their small business constituents to see whether such provisions advantage or disadvantage Maryland's most numerous group of businesses.

**Third: Tax codes should look like they were created intentionally.** Maryland's corporate tax code, like other states', represents the decades-long accretion of various special-interests' lobbying. Aspects such as the presence of Single Sales Factor, or the lack of Combined Reporting, or the presence of costly Opportunity Zone "lard-on" tax credits, mean that competing companies that happen to be structured differently, sized differently, or located differently, are treated very differently when it comes time to calculate their tax rates.

Call them "distortions" or "picking winners and losers," but these unfair irregularities send all the wrong signals to Maryland employers. They are dispiriting to small businesses that lack the bank account to hire lobbyists, incorporate Passive Income Corporations, or utilize targeted tax credits. They are enticing to corporate lobbyists who see a system they can further manipulate.

The tax code should be even-handed and easy to explain and to justify. It should not create resentment. It should look and behave as if it were created on purpose.

House Bill 1088 will provide Maryland lawmakers important new data to build the case for a corporate tax code that is modern, fair and intentional.