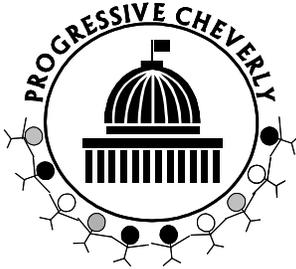


Progressive Cheverly

progressivecheverly.org



3020 Parkway
Cheverly, MD 20785

October 28, 2007

Dear Delegate:

On behalf of Progressive Cheverly, a grassroots organization of Cheverly residents committed to working at all levels of government for progressive change, we urge you to support and vote for a budget plan that will bring greater fairness to our tax system. As you confront the challenge of closing a projected \$1.7 billion shortfall while retaining, or better, enhancing critical educational, health and other services to the residents of Maryland, it is essential that any final plan include these structural reforms included in the Governor's deficit package:

- close the most egregious corporate tax loopholes thru the use of combined reporting;
- raise the corporate income tax by a modest 1%; and
- provide a modest income tax hike on Maryland's most affluent residents.

According to the Maryland Budget and Tax Policy Institute, the proportion of Marylanders' income being collected to pay for state and local government is lower than in 46 other states. The problem is not over-taxation! The above three proposals will bring in badly needed revenue. They will also improve fairness by leveling the playing field for Maryland-only corporations and by putting more of a responsibility on those with greater resources to contribute more to meet the common good.

According to the State Comptroller, nearly half of the major companies operating in the state – 62 of the top 132 – paid no state corporate income taxes in 2005. Governor O'Malley's combined reporting proposal would be an important step forward in requiring such corporations to pay their fair share. This change would level the playing field for Maryland businesses since it would only affect companies operating in multiple states. Companies like Wal-Mart and Bank of America have been able to play the tax avoidance game using various accounting tricks like setting up shell corporations. The Chamber of

Commerce has been busy using its leverage to urge you to vote against including combined reporting in any final package by threatening that companies will flee Maryland if combined reporting is implemented. How often have we heard this? In fact, twenty-one other states have adopted combined reporting and none of them have seen corporations packing their bags.

The Governor's proposed tax increase on residents with high incomes is another important part of any final budget package. For too long, low and middle income families have been assuming more than their fair share of the income tax burden. Under the Governor's very modest proposal, a couple making \$750,000 would see a tax increase of approximately \$7,000, or less than one percent of their annual income. For this income group, it is pennies. Like the corporations described above, these higher income families should also be paying their fair share.

Progressive Cheverly continues to oppose slot machines as a solution to the state's budget crisis because it brings well-documented social ills, the costs of which are not reflected in the revenue gains and because it is another (indirect) tax on the poor. Since the revenues from slots would not be realized right away, we would support a compromise that allows voters to weigh in via referendum during the 2008 elections. Likewise, an increase in the sales tax is yet another regressive tax that falls most heavily on those least able to pay. A better solution might be a luxury tax on large-value purchases.

Reaching consensus on the diverse set of proposals in front of the General Assembly will be difficult, but a solution is essential for the people of our state. We call upon you to hold fast to the principles of tax fairness in this process, most especially combined reporting, an increase in the corporate tax, and a modest tax increase for the wealthiest individuals.

Sincerely,

Aimee Olivo
Co-chair

Norman Oslik
Co-chair