Maryland politicians plan wave of business tax cuts

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The Maryland state legislature is deliberating over various proposals aimed at cutting taxes for corporations and the state's wealthiest residents. Plans are underway to implement sweeping reductions in income tax rates for both individuals and businesses, and to massively inflate tax exemptions for millionaires and their estates.

Republicans in the Maryland House of Representatives have authored and supported the Income Tax Relief Act of 2014, which would reduce personal income taxes by 10 percent over the next 10 years.

Another bill, with bipartisan sponsorship, would establish a flat 3.5 percent income tax on every resident making more than $30,000 a year, scrapping an established eight-tier rating system. In the present system, the lowest rate stands at 2 percent, while the highest stands just under 6 percent, with rates between 5 and 6 percent reserved for those making $100,000 or more.

Since January, as many as six bipartisan bills have been put forward to lower the corporate tax rate, which is currently 8.25 percent, to rates between 4 and 7 percent over varying periods of time.

Republican state delegate Andrew Sarafini, one of the main figures involved in these legislative efforts, favors the 4 percent corporate rate. Douglas Gansler, the state's current attorney general, has announced his support for the 6 percent rate in his bid to win the Democratic candidacy for governor.

Legislative committees have also been hearing various bills aimed at raising the estate tax threshold. The two bills with the greatest amount of support in this area are predominately backed by Democrats, and would raise the threshold from $1 million to just over $5 million. This means that each millionaire residing in the state of Maryland would effectively receive an extra $4 million "window" before taxes are levied against their holdings.

Local news agencies have mentioned that several less "popular" proposals being considered would have dispensed with the estate tax, inheritance taxes, or both.

The arguments being used to advance and justify these measures revolve around the notion that Maryland needs to persuade its more prosperous residents to continue living in the state, to encourage consumption to boost its stagnating economy, and to make the state a serious regional competitor for corporate investment. In official quarters, there is a general sense that Maryland either has to equal or undercut Virginia's corporate tax rate of 6 percent if it hopes to rescue its chances for meaningful "job creation."

Attempts to paper over this transparent agenda have consisted of false cries of concern for average workers and residents in the state.

Ben Wilterdink, a research analyst who spoke after Sarafini in testimony at the General Assembly in Annapolis last month, exemplified this approach: "The corporate income tax burden is passed on to the consumer, to the shareholder, and even to employees who have to work for lower wages than they otherwise would be." Wilterdink cited a recent Treasury Department study, which purports that laborers bear at least 40 percent of the cost of higher corporate taxes.

In reality, American corporations are gorged with record levels of money, having amassed record financial reserves estimated to be about $1.5 trillion. Rather than use these resources to hire workers or invest in the productive levers of society, there has been a concerted effort to drive wages and benefits to record

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lows, while artificially stimulating share values through stock buybacks and various other schemes.

Corporations have also received billions of dollars in tax abatements and other payments handed over to them from virtually every level of government. A report in *The New York Times* earlier this year estimated that state and local governments spend roughly $80 billion annually in such corporate welfare measures. (See “States, cities, hand out billions in tax abatements”)

President Obama’s latest attempt to feign concern over social inequality involves the creation of five urban “promise zones,” which are essentially areas where taxes and regulations on businesses will be stripped down to minimal levels. These initiatives have been coupled with drastic attacks on the living conditions of workers and the absence of any public works programs or serious reforms to alleviate poverty and social misery.

On Thursday, Peter Franchot, the comptroller of Maryland, abruptly announced that there had been a $238 million decline in state revenues for the last quarter of 2013, which must be made up for through $127 million in cuts this fiscal year and $111 million in the next. The drop in revenue was mostly attributed to a drop in retail sales during the winter months, but commentators could not avoid mentioning declining wages and salaries, persistently high unemployment, and rising expenditures on food, energy and other basic commodities.

In remarks that can only be read as a sign of things to come, Franchot stressed the need to act “with the utmost caution” and urged the state “to invest in the things we truly need” and “forego many of the things we simply want.”

As if on cue, Maryland’s Department of Legislative Services immediately stepped in to suggest cuts to state workers’ salaries, education funding, and the Chesapeake Bay Trust Fund, as well as canceling proposals for expanded prekindergarten services.

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