

Groups ready their legislative tax strategies

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ANNAPOLIS — Although the next legislative session is still a couple months off, it's becoming apparent that new taxes will be one of the central issues before the General Assembly.

This week, the Blue Ribbon Commission on Maryland Transportation Funding formally recommended a 15-cent per gallon gas tax increase phased in over three years, pushing the state's total tax to 38.5 cents. After that, they recommended the tax should be increased annually based on inflation. Proceeds would be used to fund transportation needs.

Additionally, doubling or tripling the "flush tax" — the water and sewer fee collected to fund Chesapeake Bay cleanup — was proposed to the Governor's Task Force on Sustainable Growth and Wastewater Disposal. The average residential fee is \$30 per year, and Natural Resources Secretary John Griffin recommended increasing that to \$90 per year.

Business groups are looking at the tax proposals — both of which have been tossed around for years — and putting together their positions on them. Neil Bergsman of the Maryland Budget and Tax Policy Institute said that he's not going to guess what happens when all of those proposals get to the legislature for its 90-day session early next year.

"I haven't had a lot of luck predicting what they're going to do until 80 to 85 days into the session," he said.

The Blue Ribbon Commission on Maryland Transportation Funding was established by legislation to come up with recommendations for new and sustainable ways to keep funding Maryland's transportation infrastructure.

As Maryland's road conditions and traffic tie-ups have gotten worse, state transportation finances have dwindled and federal money is certain to be cut. The commission analyzed the funds the state needed to get transportation back on track — about \$870 million in new revenues — and how to get them.

The commission's final report, which will be delivered to Gov. Martin O'Malley and the General Assembly next week, looks at a combination of tax and fee increases on transportation services. The 15-cent gas tax increase is the largest piece of the new revenues, and has generated the most discussion.

For years, business groups including the Maryland Chamber of Commerce, the Greater Washington Board of Trade, and the Greater Baltimore Committee have pushed a gas tax increase to improve transportation funding. Better transportation infrastructure makes Maryland a better place to do business, they reason. More business means a better overall economy for the state.

Ellen Valentino, state director of the National Federation of Independent Business, said she hasn't heard any support for raising the gas tax from her members. Small businesses are struggling in the slow economy, she said.

"Right now, the priority to our members is that they want to keep their doors open," Valentino said.

Kim Burns, president of Maryland Business for Responsive Government, said that protective measures need to be taken before a gas tax increase can be considered. The commission's top recommendation is protecting money in the transportation trust fund, which is supposed to be used for transportation, from being redirected by the governor or legislature. Previous legislation to protect this money has been unsuccessful.

"The commission draft report acknowledges such protections are not a sure thing, but that likely won't slow the legislature down from passing these tax increases in January without the necessary guarantees to the taxpayer," she said in a statement.

Carl Davis, a senior policy analyst with the Washington-based Institute on Taxation and Economic Policy, said that the gas tax increase proposed by the commission is a good idea and nearly in line with some recommendations he is finalizing in a report.

Davis figured out that if the average Marylander pays 15 more cents per gallon of gas, he or she would end up paying about \$78 annually in increased gas taxes. This amount of an annual increase, he said, is "absolutely reasonable" to cover the state's transportation needs in today's costs.

A study published this year by national transportation research group TRIP reinforces Davis' findings. It found that Maryland drivers spend an average of \$2,296 annually in added maintenance, gasoline and safety precautions because of the conditions and congestion of the state's roads. More money for transportation would help fix those problems.

"Paying about \$77 a year pales in comparison with that," Davis said.

Davis said that if the state had indexed the tax rate to construction costs back when it was last increased in 1992, it should be about 15.8 cents higher than it is now — meaning that the recommendation is on the right track.

Bergsman has fought in Annapolis for increases in other taxes, with the proceeds going to other needs. He said that he understands the proposals to increase the gasoline and "flush" taxes, and that both have been well documented through the years.

However, he said, the state has other unmet needs, specifically in education and public safety. He has championed measures like reinstating the "millionaires' tax," taxing services, and altering corporate income tax rates and calculations. Revenue from these kinds of increases would most likely go to the general fund, which the state uses to meet most of its needs.

Bergsman said that he wants these other tax increases — and the needs with them — to be given equal and fair consideration in Annapolis next year.

"I want us to address transportation," he said. "I want us to address the bay. I just don't want those two objects to suck all of the air out of the room when it comes to taxes."