



Republican gubernatorial candidate Larry Hogan sits inside his campaign van before a fundraiser in Ocean City, Md., June 10, 2014. (AP Photo/The Daily Times, Joe Lamberti)

By: Adam Bednar Daily Record Business Writer November 6, 2014

It's all about taxes and regulations.

Business leaders are hopeful Gov.-elect Larry Hogan will address those issues, which they say contribute to Maryland's reputation as one of the least business-friendly states in the nation. They believe that by electing Hogan, voters sent a strong message to leaders that anti-business policies are holding back Maryland's economy.

"We expect a cessation of the increased taxation, which seems to be a hallmark of recent years," said Duane Carey, president of Maryland Business for Responsive Government. "We regard taxation and regulation as two of the larger impediments to the business climate in Maryland, and our really bad reputation nationwide."

Deserved or not, Maryland's reputation as a difficult place to do business has been well documented. The nonpartisan research think-tank Tax Foundation's 2014 State Business Tax Climate Index ranked Maryland 41st in the nation. Chief Executive Magazine also rated Maryland at No. 41 on its list of best and worst states to do business in, based on a survey of 500 CEOs.

During his campaign, Hogan, a businessman who has never held elected office, emphasized his desire to reshape taxes to bolster the state's economy. Business leaders argue that he and the General Assembly should begin by slashing corporate and personal income taxes to make Maryland more competitive with surrounding states. For example, Maryland's corporate tax rate is 8.25 percent compared to 6 percent in Virginia. Pennsylvania's corporate tax rate is higher than Maryland's, but its individual income tax rate is a flat 3.07 percent, compared to Maryland's top rate of 5.75 percent.

"The one thing that consistently puts us in a tough predicament when we look at how Maryland ranks compared to other jurisdictions is the local 'piggy-back' taxes on top of the state income tax," said Greater Baltimore Committee President and CEO Donald C. Fry. The state collects those taxes on behalf of the taxpayer's local jurisdiction, in the amount set by the local jurisdiction, along with the state tax.

"State government has very little control over [the piggy-back tax] and receives no benefit from it, but that's just the way the structure is," Fry said. "So how that's going to be addressed, I think, will be a very complicated situation — if it's going to be addressed at all."

More moderate legislature?

State regulators have often been the bane of businesses in the state. In recent years it has become a common complaint among business people that they feel state regulations are designed to discourage business. There have also been complaints about regulators in Maryland who seem to be working against businesses, whereas regulators in other states are inclined toward making the process as painless and quick as possible.

"There is frustration among some folks in the business community that there's sort of a 'Hold please' response when a business person reaches out to government for help, whether it's to resolve a problem, move forward, build the next big building, whatever it is," said Brien Poffenberger, president and CEO of the Maryland Chamber of Commerce.

Although Hogan can begin to address those issues, particularly with regulators, by changing the culture in Annapolis, tax reform will require he work with a General Assembly dominated by Democrats looking to score political points by opposing his agenda. But business leaders are hopeful legislators will be chastened by election results and embrace measures that make it easier to do business in the state.

"The Maryland governor is a strong governorship constitutionally. It has a lot of inherent power, in particular the power of the budget, so there's a lot of things the legislature can just dig their heels in and fight with him on," Carey said. "But number one, they can't on some of the budget issues, and number two... I think they're going to moderate themselves a bit this year."

But before Hogan can worry about working with the state legislature he still has to define what his goals will be in trying to make Maryland a more attractive place to do business.

After getting the founder of Change Maryland elected, "business folks, pro-business folks, obviously should feel an injection of energy... for the prospect of some changes maybe taking place," said Stella Rouse, associate professor in the Department of Government and Politics at the University of Maryland, College Park. "But without knowing what those changes are, and how he's going to be able to work with the legislature, it's really hard to say if there's going to be any difference or not."

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