

March 26, 2010

Greetings from Annapolis,

Week 11

Business Issues

Our economy continues to stagnate. Marylanders continue to be unemployed. The fiscal issues being confronted by this nation due to the recession have been characterized as catastrophic by some and represent a serious challenge for our country. The recession has lasted longer and has been deeper than most of us expected. Maryland businesses have been hit hard.

SB 106 Labor and Employment - Job Creation and Recovery Tax Credit

Maryland's version of the federal jobs bill passed the House this week, making a credit of up to \$5,000 per employee available to businesses that hire a person who has been on unemployment. Businesses who are planning to hire may take advantage of this credit, but there is considerable doubt that the full \$20 million will be utilized, since many businesses do not have revenues to support additional hiring. Amendments offered on the floor and rejected by the House would have provided an across-the-board reduction to the tax rate to benefit all businesses, instead of just a few.

SB 107 Unemployment Insurance - Tax Deferral, Trust Fund Solvency, and Cost-Neutral Modernization Act

This bill was heavily discussed in the House chamber on Monday evening. The availability of Stimulus dollars last year prompted the General Assembly to expand unemployment benefits to part-time workers and to increase benefits. These increases, coupled with continuing high unemployment, have virtually depleted the Unemployment Trust Fund. Since employers pay for unemployment benefits, their rates are being increased to the highest possible rates to keep the fund solvent. Seeking relief for already stressed employees, the Governor is seeking additional Stimulus dollars as a solution. The problem is that in exchange for a one-time payment of \$126 million, Maryland is making a permanent expansion of the eligibility requirements again.

Senate Bill 107 expands eligibility to people in worker training programs and makes other changes that increase the payouts from the Fund. The Fund is already paying out more than it takes in, increasing the burden on employers. Since the Fund is paying out about \$20 million per week, Maryland will receive only 6 weeks of help for a permanent increase in benefits. In the long run, it will cost a lot more to business owners. How many businesses will have to close or reduce the amount of employees they employ?

I once again sponsored the Maryland Economic Stimulus Act (HB 1249) to give relief to Maryland businesses. After last year's bill was defeated in committee, the Maryland Public Policy Institute wrote,

"The General Assembly passed up a great opportunity to enact a real economic stimulus this session by failing to enact HB 669 (last year's bill)...These benefits would have reduced the state tax burden on businesses in the short term, and perhaps even have provided businesses with an economic incentive to make property and capital expenditures now, thereby stimulating the economy."

This bill follows the lead of our federal counterparts in extending favorable benefits to businesses by removing the provisions in our law that prevent Maryland businesses from Section 179, expensing and accelerating depreciation allowances enacted at the

The spending needs to be deferred so the State doesn't exceed the Capital Debt Affordability Committee's recommendation to cap new borrowing at \$1.14 billion for the 2011 fiscal year that starts July 1. Governor O'Malley went beyond the panel's recommendations when he submitted a 2011 capital spending plan calling for \$1.14 billion in new bonds.

Our work is picking up with Saturday sessions and early Monday sessions. There is much work to do and so little time remaining.

At your service,

Gail Bates