

Maryland Tax Educator

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SLOTS STUDY GARNERS SIGNIFICANT INTEREST

The Foundation's most recent study on slots garnered significant media interest. It demonstrated that the three major myths promulgated by the Maryland racing industry regarding jobs, profits and casino style gambling are untrue:

Myth #1: The Maryland horse-racing industry employs 28,000.

Fact: A Maryland legislative study (1999) and a follow-up MTEF study (2003) indicated 9,000 jobs, not 28,000.

Myth #2: The horseracing industry cannot compete with slots.

Fact: Indiana, Illinois and Michigan all opened casinos away from tracks. Not one track closed, and betting handles rose. The reason is that casinos and horse tracks attract different kind of bettors. A casino does not cannibalize the customers of a racetrack.

Myth #3: Maryland horse-racing tracks lose money.

Fact: With intra-company adjustments, the Maryland Jockey Club financial statements prove otherwise.



LET'S CONFORM FEDERAL AND STATE TAX RETURNS

In an issues note prepared for the Foundation, CPA-Attorney Alan Zipp pointed out that the continued decoupling of Maryland taxable income calculations from federal taxable income calculations is causing headaches for individual and business filers alike.

To preserve Maryland tax receipts, the state failed to follow federal changes in depreciation charges, for example. Thus, Maryland taxpayers with depreciation expenses must make complicated adjustments in order to follow local law.

Zipp reports that many taxpayers "throw up their hands in frustration" and don't make the requisite adjustments, depriving the Maryland Treasury of needed revenue.

Please refer to the website for the issues note and other studies.

MD SPENDING GOES UP FAR MORE THAN INFLATION PLUS POPULATION GROWTH

Absent significant new social programs, it is hard to see how state government spending could increase much more than the sum of population growth plus inflation. In a Maryland Taxpayers Association Special Report, Dr. Eleanor Stewart

provided startling news. From 1990 to 2004, the state's population grew 15 percent, and consumer prices rose 39%. The combined total was 54 percent. Guess what? State spending increased a whopping 102 percent! Will the tax and spenders ever stop?



MD DEPARTMENT OF COMMUNITY AND HOUSING DEVELOPMENT

The Foundation is researching certain programs of the Department of Community and Housing Development. The Department has been reluctant to cooperate fully with the Foundation. As a result, the Foundation has retained an attorney to explore its rights under the Maryland Freedom of Information Act.

FOUNDATION CHAIRMAN ASKED TO TESTIFY

The Foundation's research on the market value of state-sanctioned slot machine monopolies has attracted national attention. Jeff Hooke, Chairman, was invited to testify before the legislatures of Pennsylvania and Texas. He was also a guest speaker at national gaming legislator seminars in New Mexico and New York.

The Foundation's work has been cited in many prominent newspapers, including the *New York Times*, *Washington Post*, *Baltimore Sun*, *Houston Chronicle*, *Philadelphia Inquirer*, *Chicago Sun-Times*, *Pittsburgh Post-Gazette* and *Cleveland Plain Dealer*.

By way of example, a slot machine license for a harness track in suburban Philadelphia (Chester Downs) was just sold for an effective price of \$500 million. There is no reason why Maryland should give these licenses away for free.

STATE MEDICAL COSTS STILL AN ISSUE

One of the most vexing problems in the state budget is the continued upward spiral in medical costs, not only for the state-sponsored medical assistance programs, but also for the state employees. These costs have been rising far faster than inflation, which is a phenomenon that has afflicted large sections of private industry.

To Governor Ehrlich's credit, he and his staff have been exploring innovative ways to control the rise in these costs, without damaging health care services. Recently, a bipartisan commission was formed to examine cost savings and new ways of doing business in health care.

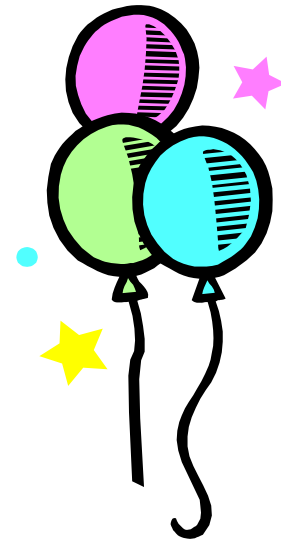
MD TAX REVENUES MAKING A COMEBACK

Maryland's "Big Budget Crisis" is fading like the summer weather. As we pointed out in the previous newsletter, state spending did not decrease during the so-called "crisis." Only the rate of increase declined! That is what is called a "crisis" in Annapolis these days. According to recent statistics released by the State Comptroller's Office, personal income tax receipts are on the up swing, rising by 11% for the first seven months of fiscal 2004. Corporate income taxes, sales taxes and use taxes are also increasing.

The enhanced picture is the direct result of the improving economy, higher stock market and strong federal spending in our area.

BEST OF HEALTH TO BERNIE BROWNING

Our friend and esteemed Director, Bernie Browning, is recovering from a recent surgery at Johns Hopkins Hospital. Everyone at the Foundation wishes him a speedy recovery.



SPENDING RESTRICTION PROPOSAL TO BE ON MONTGOMERY COUNTY BALLOT

Anti-tax activist, sometime politician and full-time attorney Robin Ficker spearheaded a successful effort to place a constitutional amendment proposal on the County's November ballot.

The amendment restricts County spending gains and tax increases unless these items are passed by a super-majority vote of the Council. The County's

spending has consistently surpassed the sum of (i) inflation and (ii) population growth. At least two counties have somewhat similar measures on the books.

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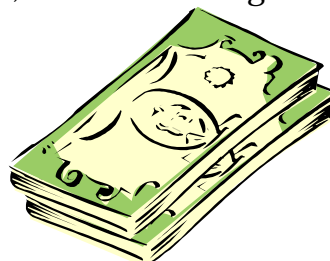
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[www.
MarylandTaxEducation.org](http://www.MarylandTaxEducation.org)

***TO GOVERN THEMSELVES,
PEOPLE MUST HAVE
KNOWLEDGE***

50 STATE COMPARISONS

The 50 State Comparisons, March 2003 Edition, published by the non-profit Taxpayers Network, had some interesting facts: Maryland's per capita income ranks 6th among 50 states; 5th in federal government expenditures per capita; 7th in State debt per capita; 3rd in State prison spending per capita; 4th in violent crime per capita; 30th in public welfare expense per capita; and 4th in average daily traffic per lane!



INTERNS NEEDED

If you are a graduate student, and you enjoy doing financial/budget/economic research, please contact the MTEF Chairman or one of the Board members. The website has contact information.

The Foundation has one intern at the present time and he is studying an interesting budget matter.

DONATIONS REQUESTED

Enclosed with your newsletter is a request for your tax-deductible contribution. A recommended annual contribution is only \$25. The MTEF accomplishes a lot with limited resources. To be self-sustaining, it needs support from its members and other interested parties. Our efforts have saved millions for Maryland taxpayers. Your assistance is appreciated.

A copy of our annual report is available from the Secretary of State or by writing MTEF.

DONATION FORM

Make checks payable to "Maryland Tax Education Foundation"

	<u>Amount</u>
Name _____	Member _____ \$25-99
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Thanks for your help.

Clip and mail in the enclosed self-addressed envelope.