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The Maryland House of Delegates

ANNAPOLIS, MARYLAND 21401

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Dear Friend:

I hope you had a wonderful Thanksgiving. Mine seemed particularly restful this year after experiencing three circus-like weeks in a very chaotic and contentious Special Session in Annapolis. **This Special Session was a textbook example of “government at its worst.”**

Unfortunately, the Special Session will bring us something none of us had planned for the New Year—**the biggest tax increase in Maryland history.** Working-class residents will bear a substantial part of the burden resulting from these new taxes. The tax package is very regressive and threatens damage to Maryland’s economy. The tax increase amounts to an average of \$1,222 per every man, woman and child in Maryland—or almost \$5,000 per family of four over the next four years.

The session was filled with frantic hearings, closed-door meetings, and desperate arm twisting to secure the slimmest of margins for a tax package and slots bill. There was not adequate due process, openness or accountability. Many committee meetings were held behind closed doors, and only Democratic Party members were invited. (Of course the public was totally left in the dark.) Lawmakers were asked to vote without reading the amended bills or knowing the fiscal impact.

I received hundreds of e-mails, phone calls and letters over the past month, more than ever before on any topic. I am very thankful for that input and encouragement. By an overwhelming majority, **my constituents favored the State government living within its means versus demanding more from the taxpayers. I absolutely agree!**

We in the Republican Party tried to use reason and the democratic process to fend off increases in every tax imaginable. Ultimately, the Democratic Party leaders prevailed because of their party’s sheer numbers and their decisions to shut down public input and debate.

From the beginning, I maintained that a Special Session was the wrong venue to deal with the state’s projected budget deficit, especially with the regular Session just weeks away and no budget from the Governor before us. **Our current budget is balanced through June 30, 2008, and Governor Ehrlich left O’Malley with a billion dollar surplus.** What a difference a year and a change in administration make!

As Ronald Reagan always said: “The problem is not that people are taxed too little; the problem is that government spends too much.”

The Republican Caucus met in June to formulate a fiscally-responsible solution to the State’s structural deficit. This alternative lowered the growth rate of State spending over the next five years, proposed an up or down vote on Video Lottery Terminals at the racetracks, and would have eliminated the deficit with NO NEW TAXES. Unfortunately, our plan was given little attention.

Despite promising major cuts to the bloated state budget, the legislature punted the ball back to O’Malley with a list of “Expressions of Intentions” for him to cut the budget in January. The language in the bill was too vague to have any binding effect in the future. The only major cut was to education—the very item for which the Democrats denounced Gov. Ehrlich. For the record: Gov. Ehrlich kept his promise and fully funded the education formula during his tenure. The cuts in education funding will simply shift the burden to local governments.

The biggest fraud of all was the creation of more than \$500 million in new spending commitments during a session called to balance the structural deficit. These new initiatives include bailing out the failing Prince George’s County Hospital, new state police helicopters, unspecified Chesapeake Bay programs and a new health care expansion program.

Legislators were bribed and blackmailed in order to obtain their reluctant votes. No one will ever know the full cost to the taxpayer of the promises made to legislators. Votes were held late at night on the week-ends to discourage debate and to discourage the press and news media from adequate coverage. The public would have been appalled at the weak floor debate put on by the Democrats in defending their tax hikes. It was an embarrassment to the Legislature!

When the Session opened, the Governor heralded his proposals as a boon for most Marylanders, who would end up paying less in taxes. The proposed tax relief promised to reduce the property tax and double the personal exemptions for senior citizens, but was stripped away, without so much as a whimper from Governor O’Malley. The legislature ended up with a very regressive tax package impacting virtually every Marylander.

Listed below are the major tax increases passed during the Special Session:
I VOTED AGAINST ALL OF THEM.

- **120% increase in motor vehicle title registration fee**
- **100% increase in cigarette tax**
- **20% increase in sales tax (5% to 6%)**
- **Expansion of sales tax to computer services (estimated to raise \$200 million/year)**
- **20% increase in car titling tax**
- **18% increase in corporate income tax rate**
- **Increases in personal income tax rates for wage earners in higher income brackets (up to 16% increase)**
- **20% tax on net proceeds for electronic bingo and tip jar amusements**

We had a few small victories in the House. Let's put it this way – the Democratic leadership in the House wanted even more taxes. Fortunately, my colleagues and I managed to soften the blow of the sales tax hikes. Although the majority party increased the vehicle titling tax from 5 percent to 6 percent, my colleagues and I joined in a bipartisan effort to exempt the value of a trade-in vehicle from the tax. Also, we in the House of Delegates stopped the spread of the sales tax to services like car repairs, gym memberships and lawn mowing. However, the computer services industry was blind-sided by the Senate, and, later, was not permitted to testify by the House leadership, so will be forced to impose a new 6 percent sales tax on consumers.

After pushing through the tax increases, the Legislature turned to slots.

Former Governor Robert Ehrlich had proposed slot machines at **racetracks** as a way to create a long-term education revenue source **without raising taxes** and to help the horseracing industry compete with our neighboring states. This time around, the Democratic Party set a referendum on slot machine gambling for the November 2008 election. The big difference here is that slots will do nothing to reduce the taxpayer's burden and only two of the five locations are at racetracks. Also, the November referendum would put slots and their locations in our State Constitution, with little local control by communities that don't want them. **Whether someone supports or opposes slots, we should not have the issue of slots codified in our State Constitution.**

Deal-making on slots occurred behind closed doors, as rumors circulated about slots locations. Legislators were blackmailed as Harford and Frederick County suddenly became new slots locations and would be removed only if their representatives supported the slots bill.

The most shocking moment of the special session came immediately after the voting board lit up with enough votes to pass the largest tax increase in Maryland's history. The Democrats started whooping, hollering and high-fiving each other over their victory. I doubt the working families in their districts are feeling the same—as their wallets are being raided.

Many constituents, especially retirees on fixed incomes, contacted me in desperation. **What we saw in Annapolis in this special session was a reckless General Assembly, which ignored the citizens of the State of Maryland and continued to feed its spending addiction despite the cries of the people.** Enough is enough. We must remember, and send a powerful message to the Governor and legislative leaders, that no state has ever taxed its way into prosperity.

It is great to be back home in Carroll County where, in a bipartisan fashion, personal and fiscal responsibility is the norm and not the exception.

Merry Christmas and Happy Holidays to All,



Susan W. Krebs
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