

Remarks for Peter Franchot
REIT Loophole Press Conference
March 5, 2007

- **Good morning and thank you all for coming.**
 - **In 1901, two weeks before he became president, Teddy Roosevelt told a crowd of people at the Minnesota State Fair that ...**
 - **“The vast individual and corporate fortunes, the vast combinations of capital which have marked the development of our industrial system, create new conditions, and necessitate a change from the old attitude of the state and the nation.”**
 - **The Trust Buster wasn’t delivering an anti-business speech, but rather was making the point that we must adapt to changing circumstances to ensure that everyone pays their fair share.**
 - **Over a hundred years later we are faced with another set of new conditions and we in Maryland are changing our attitudes.**
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- **Many large national and international corporations are getting an unfair advantage over their competitors – and cheating Maryland out of millions of dollars in tax revenue – by creating so-called “captive” Real Estate Investment Trusts.**
 - **There are people here from my office who can answer the technical questions, but in a nutshell a captive REIT manipulates federal tax rules to reduce a corporation’s tax burden.**

- **The sole purpose of a captive REIT is tax avoidance ... and as Maryland Comptroller, I will no longer allow these companies to avoid paying their fair share.**
- **Maryland is losing several millions of dollars a year thanks to these tax schemes – and I’m determined to put an end to this practice.**
- **Millions of dollars that could be going to improve education, clean up the bay ... and expand access to health care.**
- **According to the Wall Street Journal, the state of North Carolina sent one company, Wal Mart, a bill for \$33 million to cover back taxes owed using one of these captive REIT schemes.**

- **In New York, the state estimates eliminating this loophole would bring in \$83 million dollars a year.**
 - **My office is committed to closing this loophole and getting the State all the money it is owed.**
 - **Our auditors have the experience and the drive to root through all the accounting tricks and find the real dollars.**
 - **We have done this before with the Delaware holding company loophole audits and we will do it again now.**
 - **It will not be easy and we know it will take time.**
 - **The companies that use these REITS have the resources, both financially and politically, to fight back but, just as with the Delaware loophole battle, we will prevail.**
 - **We will prevail because we have the law on our side and because the simply rules of fairness demand it.**
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- **Why should large corporations receive a competitive tax advantage over smaller businesses that don't have the means to set up these shell entities?**
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- **I believe we should be in the business of leveling the playing field and making corporations, big and small, compete in a fair tax environment.**

- **As President Roosevelt observed more than 100 years ago, conditions change and we have to make adjustments as well to ensure all our residents and all our businesses are held to the same rules.**
- **Let me make one final point: Maryland is a national leader and home to a tremendous number of legitimate Real Estate Investment Trusts.**
- **Today's action will have no effect on the vast majority of the REITS here.**
- **I believe REITs have a legitimate public policy value and I have no interest in altering that landscape.**

- **However, when a company sets up a shell of itself for the sole purpose of avoiding paying their fair share in taxes, then I intend to use the power of my office to stop them.**
- **Now I'd like to introduce Donna Edwards from the MD/DC AFL-CIO to say a few words.**

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