

SENATE BILL 911

C2, Q4

9lr3133
CF HB 1116

By: Senators Beidle, Carter, Elfreth, Kagan, Lee, Klausmeier, and Washington
Washington, and Ferguson

Introduced and read first time: February 14, 2019

Assigned to: Rules

Re-referred to: Budget and Taxation, February 22, 2019

Committee Report: Favorable with amendments

Senate action: Adopted with floor amendments

Read second time: March 18, 2019

CHAPTER _____

1 AN ACT concerning

2 **Gender Diversity in the Boardroom – Annual Report ~~or Nonprofit Sales and Use~~**
3 **~~Tax Exemption Application~~**

4 FOR the purpose of establishing the intent of the General Assembly to promote gender
5 diversity in corporate management and boardrooms; ~~requiring a certain entity~~
6 ~~applying to the Comptroller to qualify as an organization to which a sale is exempt~~
7 ~~from certain sales and use taxes to include in the application certain information~~
8 ~~relating to the female representation on the applicant's board of directors;~~ requiring
9 a certain entity submitting a certain annual report to the State Department of
10 Assessments and Taxation to include in the report certain information relating to
11 female representation on the entity's board of directors; providing for the application
12 of this Act; requiring the Comptroller to make a certain report to the General
13 Assembly on or before a certain date each year; and generally relating to gender
14 diversity in corporate management and boardrooms.

15 ~~BY repealing and reenacting, without amendments,~~
16 ~~Article – Tax – General~~
17 ~~Section 11-204(a)(3) and (5)~~
18 ~~Annotated Code of Maryland~~
19 ~~(2016 Replacement Volume and 2018 Supplement)~~

20 ~~BY repealing and reenacting, with amendments,~~
21 ~~Article – Tax – General~~

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 ~~Section 11-204(e)~~
2 ~~Annotated Code of Maryland~~
3 ~~(2016 Replacement Volume and 2018 Supplement)~~

4 BY repealing and reenacting, with amendments,
5 Article – Tax – Property
6 Section 11-101
7 Annotated Code of Maryland
8 (2012 Replacement Volume and 2018 Supplement)

9 Preamble

10 WHEREAS, Equitable and diverse gender representation in the leadership ranks of
11 companies in the State of Maryland is essential to enhance the competitive position of the
12 State in the global economy; and

13 WHEREAS, The Executive Alliance, a nonprofit organization of women executive
14 leaders actively working to leverage the collective power of women’s leadership in the State
15 of Maryland, reported in its ~~2016~~ 2018 “Census of Women Board Directors in Maryland”
16 that women held ~~14.4%~~ 16.8% of board seats ~~and 12.3% of executive positions at the 76~~
17 ~~publicly traded companies headquartered in the State~~; and

18 WHEREAS, Of those 76 companies, 36 have no women in executive positions, 23
19 have no women on their boards of directors, and 14 have no women on their boards of
20 directors or in their executive suites; and

21 WHEREAS, According to the Maryland Commission for Women, women make up
22 49% of the labor force in Maryland; and

23 WHEREAS, Deloitte’s Missing Pieces Report, which included a 2016 census of
24 diversity on Fortune 500 corporate boards, found that minority women are even less
25 represented, with African American women holding only 2.2% of board seats, Asian women
26 holding only 0.081%, and Latina women holding only 0.075%; and

27 WHEREAS, A McKinsey & Company study entitled “Women Matter” showed that
28 companies where women are most strongly represented at board or top management levels
29 are also the companies that perform the best; companies with three or more women in
30 senior management functions score more highly, on average, on the organizational
31 performance profile than companies with no women at the top; and company performance
32 increases significantly once a certain critical mass is attained – specifically, when there are
33 at least three women on management committees with an average membership of 10
34 people, performance improves dramatically; and

35 WHEREAS, Commencing in 2006, Credit Suisse conducted a 6–year global research
36 study of more than 2,000 companies worldwide that showed that women on boards improve
37 business performance by key metrics, including stock performance, as demonstrated by the
38 fact that companies with a market capitalization of more than \$10 billion, whose boards

1 have women, outperformed shares of comparable businesses with all–male boards by 26%;
2 and

3 WHEREAS, The Credit Suisse report included the following findings:

4 (1) There has been a greater correlation between stock performance and
5 the presence of women on a board since the financial crisis in 2008;

6 (2) Companies with women on their boards significantly outperformed
7 others when the recession occurred;

8 (3) Companies with women on their boards tend to be relatively
9 risk–averse and carry less debt, on average; and

10 (4) Net income growth for companies with women on their boards
11 averaged 14% over a 6–year period, compared with 10% for those with no women directors;
12 and

13 WHEREAS, An Oklahoma State University study found that board diversity,
14 including gender and ethnicity, is associated with improved financial value and that a
15 significant positive relationship exists between the fraction of women or minorities on the
16 board and the value of the firm; and

17 WHEREAS, The Catalyst Research Center for Equity in Business Leadership report
18 entitled “Women on Corporate Boards Globally” found that companies with more women
19 on boards had better financial results, on average, than other companies, and that
20 companies with sustained high representation of women board directors, defined as having
21 three or more women board directors in at least 4 of 5 years, significantly outperformed
22 those with sustained low representation by 84% on return on sales, 60% on return on
23 invested capital, and 46% on return on equity; and

24 WHEREAS, Catalyst’s report “Women on Corporate Boards Globally” also cites
25 findings that companies with fewer women on boards had more governance–related
26 controversies than average; and

27 WHEREAS, Catalyst found a clear and positive correlation between the percentage
28 of women board directors in the past and the percentage of women corporate officers in the
29 future; and

30 WHEREAS, Catalyst found that (1) women board directors appeared to have a
31 greater effect on increasing the percentage of line positions held by women than they did
32 on staff positions and (2) line experience is necessary for advancement into chief executive
33 officer and top leadership positions; and Catalyst’s annual censuses show that, historically,
34 women are underrepresented in those roles; and

35 WHEREAS, Executive Alliance’s Census report has shown little improvement in the
36 representation of women on corporate boards in Maryland over the last 10 years; and

1 WHEREAS, Women in the Workplace 2016, a comprehensive study of the state of
 2 women in corporate America conducted by LeanIn.Org and McKinsey & Company,
 3 emphasized that (1) women are less likely to receive the first critical promotion to manager
 4 – so far fewer end up on the path to leadership; (2) women are less likely to be hired into
 5 more senior positions; and (3) women also get less access to the people, input, and
 6 opportunities that accelerate careers – thus, the higher you look in companies, the fewer
 7 women you see; and

8 WHEREAS, Catalyst’s report “Women on Corporate Boards Globally” indicated that
 9 research from many scholars and organizations, including Catalyst, had found that three
 10 or more women serving on a board “changes boardroom dynamics substantially”, “enhances
 11 the likelihood that women’s voices and ideas are heard”, and “creates a ‘critical mass’ of
 12 women which can lead to better financial performance”; and

13 WHEREAS, The Maryland General Assembly finds that the State of Maryland has
 14 a significant stake in promoting equitable and diverse gender representation in the public,
 15 private, and nonprofit leadership ranks of Maryland companies, institutions, and State and
 16 local government; and

17 WHEREAS, The Senate of Maryland and the House of Delegates urge that by
 18 December 31, 2022, all nonprofit, privately held, and publicly traded institutions and
 19 companies doing business in the State of Maryland have a minimum of 30% of women
 20 directors and measure their progress toward a goal of equal representation of men and
 21 women in leadership positions on an annual basis; now, therefore,

22 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
 23 That the Laws of Maryland read as follows:

24 ~~Article Tax General~~

25 ~~11-204.~~

26 (a) ~~The sales and use tax does not apply to:~~

27 ~~(3) a sale to a nonprofit organization made to carry on its work, if the~~
 28 ~~organization:~~

29 ~~(i) 1. is located in the State;~~

30 ~~2. is located in an adjacent jurisdiction and provides its~~
 31 ~~services within the State on a routine and regular basis; or~~

32 ~~3. is located in an adjacent jurisdiction whose law:~~

33 ~~A. does not impose a sales or use tax on a sale to a nonprofit~~
 34 ~~organization made to carry on its work; or~~

1 ~~B. contains a reciprocal exemption from sales and use tax for~~
2 ~~sales to nonprofit organizations located in adjacent jurisdictions similar to the exemption~~
3 ~~allowed under this subsection;~~

4 ~~(ii) is a charitable, educational, or religious organization;~~

5 ~~(iii) is not the United States; and~~

6 ~~(iv) except for the American National Red Cross, is not a unit or~~
7 ~~instrumentality of the United States;~~

8 ~~(5) a sale to a volunteer fire company or department or volunteer~~
9 ~~ambulance company or rescue squad located in the State made to carry on the work of the~~
10 ~~company, department, or squad;~~

11 ~~(e) (1) To qualify as an organization to which a sale is exempt under subsection~~
12 ~~(a)(3) or (5) of this section, the organization shall file an application for an exemption~~
13 ~~certificate with the Comptroller.~~

14 ~~(2) IF THE APPLICANT HAS AN OPERATING BUDGET EXCEEDING~~
15 ~~\$5,000,000, THE APPLICATION REQUIRED UNDER PARAGRAPH (1) OF THIS~~
16 ~~SUBSECTION SHALL INCLUDE THE PERCENTAGE OF FEMALE MEMBERSHIP ON THE~~
17 ~~APPLICANT'S BOARD OF DIRECTORS.~~

18 Article – Tax – Property

19 11–101.

20 (a) On or before April 15 of each year, a person shall submit a report on personal
21 property to the Department if:

22 (1) the person is a business trust, statutory trust, domestic corporation,
23 limited liability company, limited liability partnership, or limited partnership;

24 (2) the person is a foreign corporation, foreign statutory trust, foreign
25 limited liability company, foreign limited liability partnership, or foreign limited
26 partnership registered or qualified to do business in the State; or

27 (3) the person owns or during the preceding calendar year owned property
28 that is subject to property tax.

29 (b) The report shall:

30 (1) be in the form that the Department requires;

1 (2) be under oath as the Department requires; and

2 (3) contain the information that the Department requires.

3 (C) (1) THIS SUBSECTION DOES NOT APPLY TO A PRIVATELY HELD
4 COMPANY IF AT LEAST 75% OF THE COMPANY'S SHAREHOLDERS ARE FAMILY
5 MEMBERS.

6 (2) IF THE PERSON SUBMITTING THE REPORT IS A
7 PUBLICALLY TRADED INSTITUTION OR COMPANY TAX-EXEMPT, DOMESTIC
8 NONSTOCK CORPORATION WITH AN OPERATING BUDGET EXCEEDING \$5,000,000,
9 OR A DOMESTIC STOCK CORPORATION WITH TOTAL SALES EXCEEDING \$5,000,000,
10 THE REPORT REQUIRED BY THE DEPARTMENT SHALL INCLUDE THE PERCENTAGE
11 NUMBER OF FEMALE MEMBERSHIP BOARD MEMBERS AND THE TOTAL NUMBER OF
12 MEMBERS ON THE PERSON'S BOARD OF DIRECTORS.

13 SECTION 2. AND BE IT FURTHER ENACTED, That, on or before January 1 of
14 each year, the Comptroller shall:

15 (1) report to the General Assembly, in accordance with § 2-1246 of the
16 State Government Article, on the percentage of female representation on the boards of
17 directors for all entities filing a report ~~or making an application~~ described in this Act; and

18 (2) make the report ~~publically~~ publicly available on the Comptroller's
19 website.

20 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
21 October 1, 2019.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.