

# HOUSE BILL 46

Q3  
HB 457/22 – W&M

(PRE-FILED)

3lr0316  
CF 3lr1400

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By: **Delegates Lehman, Hill, Palakovich Carr, Pena-Melnyk, Ruth, Solomon, and Terrasa**

Requested: August 5, 2022

Introduced and read first time: January 11, 2023

Assigned to: Ways and Means

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## A BILL ENTITLED

1 AN ACT concerning

2 **Corporate Income Tax – Combined Reporting**

3 FOR the purpose of requiring certain corporations to compute Maryland taxable income  
4 using a certain method; authorizing certain corporations, subject to regulations  
5 adopted by the Comptroller, to determine certain income using a certain method;  
6 requiring, subject to regulations adopted by the Comptroller, certain groups of  
7 corporations to file a combined income tax return reflecting the aggregate income tax  
8 liability of all the members of the group; requiring the Comptroller to adopt certain  
9 regulations consistent with certain regulations adopted by the Multistate Tax  
10 Commission; providing a subtraction modification under the Maryland corporate  
11 income tax for certain changes to a certain combined group's deferred tax assets or  
12 liabilities that are the result of certain provisions of this Act; prohibiting the  
13 subtraction from being reduced as a result of an event that occurs after the  
14 calculation of the subtraction; providing, under certain circumstances, for the  
15 carryforward of the subtraction; authorizing the Comptroller to review and alter the  
16 amount of the subtraction specified in the statement or claimed on certain tax  
17 returns; and generally relating to the Maryland income tax on corporations.

18 BY adding to

19 Article – Tax – General  
20 Section 10–311 and 10–402.1  
21 Annotated Code of Maryland  
22 (2022 Replacement Volume)

23 BY repealing and reenacting, with amendments,

24 Article – Tax – General  
25 Section 10–811  
26 Annotated Code of Maryland  
27 (2022 Replacement Volume)

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

3 **Article – Tax – General**

4 **10-311.**

5 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
6 INDICATED.

7 (2) “COMBINED GROUP” HAS THE MEANING STATED IN § 10-402.1 OF  
8 THIS TITLE.

9 (3) “NET DEFERRED TAX ASSET” MEANS THE AMOUNT BY WHICH THE  
10 DEFERRED TAX ASSETS EXCEED THE DEFERRED TAX LIABILITIES OF A COMBINED  
11 GROUP, COMPUTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING  
12 PRINCIPLES.

13 (4) “NET DEFERRED TAX LIABILITY” MEANS THE AMOUNT BY WHICH  
14 THE DEFERRED TAX LIABILITIES EXCEED THE DEFERRED TAX ASSETS OF A  
15 COMBINED GROUP, COMPUTED IN ACCORDANCE WITH GENERALLY ACCEPTED  
16 ACCOUNTING PRINCIPLES.

17 (B) THIS SECTION APPLIES ONLY TO A COMBINED GROUP OF WHICH THE  
18 MEMBERS, ON OR BEFORE THE DATE OF ENACTMENT OF THE PROVISIONS OF §  
19 10-402.1 OF THIS TITLE BY CHAPTER \_\_\_\_ (H.B. 46) OF THE ACTS OF THE  
20 GENERAL ASSEMBLY OF 2023, WERE:

21 (1) PUBLICLY TRADED; OR

22 (2) AFFILIATED WITH A COMBINED GROUP THAT WAS PUBLICLY  
23 TRADED, AND PARTICIPATED IN THE FILING OF THE PUBLICLY TRADED  
24 CORPORATION’S FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH  
25 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

26 (C) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, IN ADDITION  
27 TO THE MODIFICATIONS UNDER §§ 10-307 AND 10-308 OF THIS SUBTITLE, THE  
28 AMOUNTS DETERMINED UNDER SUBSECTION (D) OF THIS SECTION ARE  
29 SUBTRACTED FROM THE FEDERAL TAXABLE INCOME OF A COMBINED GROUP TO  
30 DETERMINE MARYLAND MODIFIED INCOME OF THE COMBINED GROUP IF, AS OF THE  
31 DATE OF ENACTMENT OF § 10-402.1 OF THIS TITLE BY CHAPTER \_\_\_\_ (H.B. 46) OF  
32 THE ACTS OF THE GENERAL ASSEMBLY OF 2023, THE ENACTMENT RESULTED IN AN  
33 AGGREGATE:

1 (I) INCREASE TO THE COMBINED GROUP'S NET DEFERRED TAX  
2 LIABILITY;

3 (II) DECREASE TO THE COMBINED GROUP'S NET DEFERRED TAX  
4 ASSET; OR

5 (III) CHANGE FROM A NET DEFERRED TAX ASSET TO A NET  
6 DEFERRED TAX LIABILITY.

7 (2) THE AMOUNT OF ANY INCREASE, DECREASE, OR CHANGE SHALL  
8 BE DETERMINED WITHOUT REGARD TO THE SUBTRACTION AUTHORIZED UNDER  
9 THIS SECTION.

10 (D) (1) SUBJECT TO PARAGRAPHS (2) AND (3) OF THIS SUBSECTION, THE  
11 SUBTRACTION AUTHORIZED UNDER THIS SECTION IS EQUAL TO ONE-TENTH OF THE  
12 AMOUNT NECESSARY TO OFFSET THE AGGREGATE:

13 (I) INCREASE TO THE COMBINED GROUP'S NET DEFERRED TAX  
14 LIABILITY;

15 (II) DECREASE TO THE COMBINED GROUP'S NET DEFERRED TAX  
16 ASSET; OR

17 (III) CHANGE FROM A NET DEFERRED TAX ASSET TO A NET  
18 DEFERRED TAX LIABILITY.

19 (2) THE AMOUNT OF THE SUBTRACTION AS DETERMINED UNDER  
20 PARAGRAPH (1) OF THIS SUBSECTION SHALL BE:

21 (I) DIVIDED BY THE RATE DETERMINED UNDER § 10-105(B) OF  
22 THIS TITLE IN EFFECT ON JANUARY 1, 2025; AND

23 (II) FURTHER DIVIDED BY THE MARYLAND APPORTIONMENT  
24 FRACTION THAT WAS USED BY THE COMBINED GROUP IN THE CALCULATION OF THE  
25 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES AS DESCRIBED IN  
26 PARAGRAPH (1) OF THIS SUBSECTION.

27 (3) THE SUBTRACTION AUTHORIZED UNDER THIS SECTION MAY BE  
28 USED TO REDUCE THE COMBINED GROUP'S MARYLAND MODIFIED INCOME FOR 10  
29 CONSECUTIVE TAXABLE YEARS BEGINNING WITH THE FIRST TAXABLE YEAR THAT  
30 BEGINS AFTER DECEMBER 31, 2029.

31 (4) THE SUBTRACTION CALCULATED UNDER THIS SECTION MAY NOT

1 BE REDUCED AS A RESULT OF ANY EVENT THAT OCCURS AFTER THE CALCULATION,  
2 INCLUDING THE DISPOSITION OR ABANDONMENT OF ANY ASSET.

3 (5) THE SUBTRACTION AUTHORIZED UNDER THIS SECTION:

4 (I) SHALL BE CALCULATED WITHOUT REGARD TO THE FEDERAL  
5 TAX EFFECT; AND

6 (II) MAY NOT ALTER THE TAX BASIS OF ANY ASSET.

7 (6) IF THE SUBTRACTION DETERMINED UNDER THIS SECTION  
8 RESULTS IN A SUBTRACTION THAT EXCEEDS MARYLAND MODIFIED INCOME  
9 COMPUTED WITHOUT REGARD TO THE SUBTRACTION UNDER THIS SECTION, THE  
10 AMOUNT OF THE EXCESS MAY BE CARRIED FORWARD TO SUCCEEDING TAXABLE  
11 YEARS AND USED TO REDUCE MARYLAND MODIFIED INCOME IN EACH SUCCEEDING  
12 TAXABLE YEAR UNTIL THE EXCESS IS FULLY USED.

13 (E) (1) ON OR BEFORE JULY 1, 2026, A COMBINED GROUP THAT INTENDS  
14 TO CLAIM A SUBTRACTION UNDER THIS SECTION SHALL FILE WITH THE  
15 COMPTROLLER A STATEMENT THAT SPECIFIES THE TOTAL AMOUNT OF THE  
16 SUBTRACTION THAT THE COMBINED GROUP INTENDS TO CLAIM.

17 (2) THE STATEMENT SHALL BE ON THE FORM AND CONTAIN THE  
18 INFORMATION THE COMPTROLLER REQUIRES.

19 (3) THE COMPTROLLER MAY REVIEW AND ALTER THE AMOUNT OF:

20 (I) THE SUBTRACTION SPECIFIED IN THE STATEMENT  
21 REQUIRED UNDER PARAGRAPH (1) OF THIS SUBSECTION; OR

22 (II) THE SUBTRACTION CLAIMED ON A TAX RETURN FOR ANY  
23 TAXABLE YEAR.

24 10-402.1.

25 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
26 INDICATED.

27 (2) "COMBINED GROUP" MEANS A GROUP OF CORPORATIONS:

28 (I) THAT IS ENGAGED IN A UNITARY BUSINESS;

29 (II) IN WHICH MORE THAN 50% OF THE VOTING STOCK OF EACH  
30 MEMBER IS DIRECTLY OR INDIRECTLY OWNED BY:

1                   1.     A COMMON OWNER OR COMMON OWNERS, EITHER  
2 CORPORATE OR NONCORPORATE; OR

3                   2.     ONE OR MORE MEMBER CORPORATIONS OF THE  
4 GROUP;

5                   (III) THE MEMBERS OF WHICH ARE SUBJECT TO THE INCOME TAX  
6 OR WOULD BE SUBJECT TO THE INCOME TAX IF DOING BUSINESS IN THE STATE; AND

7                   (IV) CONSISTING OF ANY OTHER MEMBERS UNDER THE  
8 CIRCUMSTANCES AND TO THE EXTENT PROVIDED IN REGULATIONS ADOPTED BY  
9 THE COMPTROLLER TO PREVENT THE AVOIDANCE OF TAX OR TO REFLECT CLEARLY  
10 THE INCOME OF ANY MEMBER OF THE COMBINED GROUP FOR ANY PERIOD.

11                  (3)     “COMBINED RETURN” MEANS A TAX RETURN FOR THE COMBINED  
12 GROUP CONTAINING INFORMATION AS PROVIDED IN THIS SECTION OR OTHERWISE  
13 REQUIRED BY THE COMPTROLLER.

14                  (4)     “UNITARY BUSINESS” MEANS A SINGLE ECONOMIC ENTERPRISE  
15 THAT IS MADE EITHER OF SEPARATE PARTS OF A SINGLE BUSINESS ENTITY OR OF A  
16 COMMONLY CONTROLLED GROUP OF BUSINESS ENTITIES THAT ARE SUFFICIENTLY  
17 INTERDEPENDENT, INTEGRATED, AND INTERRELATED THROUGH THEIR ACTIVITIES  
18 SO AS TO PROVIDE MUTUAL BENEFIT THAT PRODUCES A SHARING OR EXCHANGE OF  
19 VALUE AMONG THEM AND A SIGNIFICANT FLOW OF VALUE TO THE SEPARATE PARTS.

20                  (B)    (1)     THE TERM “UNITARY BUSINESS” SHALL BE CONSTRUED TO THE  
21 BROADEST EXTENT ALLOWED UNDER THE U.S. CONSTITUTION.

22                  (2)     A BUSINESS CONDUCTED DIRECTLY OR INDIRECTLY BY ONE  
23 CORPORATION IS A UNITARY BUSINESS WITH RESPECT TO THAT PORTION OF A  
24 BUSINESS CONDUCTED BY ANOTHER CORPORATION THROUGH ITS DIRECT OR  
25 INDIRECT INTEREST IN A PARTNERSHIP IF THE REQUIREMENTS OF SUBSECTION  
26 (A)(4) OF THIS SECTION ARE SATISFIED, INCLUDING IF THERE IS SYNERGY AND AN  
27 EXCHANGE AND FLOW OF VALUE BETWEEN THE TWO PARTS OF THE BUSINESS AND  
28 THE TWO CORPORATIONS ARE MEMBERS OF THE SAME COMMONLY CONTROLLED  
29 GROUP.

30                  (3)     A BUSINESS CONDUCTED BY A PARTNERSHIP SHALL BE TREATED  
31 AS CONDUCTED BY ITS PARTNERS, WHETHER DIRECTLY HELD OR INDIRECTLY HELD  
32 THROUGH A SERIES OF PARTNERSHIPS, TO THE EXTENT OF THE PARTNER’S  
33 DISTRIBUTIVE SHARE OF THE PARTNERSHIP’S INCOME, REGARDLESS OF THE  
34 PERCENTAGE OF THE PARTNER’S OWNERSHIP INTEREST OR ITS DISTRIBUTIVE OR  
35 ANY OTHER SHARE OF PARTNERSHIP INCOME.

1           **(C) (1) EXCEPT AS PROVIDED BY AND SUBJECT TO REGULATIONS**  
2 **ADOPTED BY THE COMPTROLLER, FOR ALL TAXABLE YEARS BEGINNING AFTER**  
3 **DECEMBER 31, 2024, A CORPORATION ENGAGED IN A UNITARY BUSINESS SHALL**  
4 **FILE A COMBINED RETURN, REPORTING AND PAYING TAX ON WORLDWIDE TAXABLE**  
5 **INCOME AS A COMBINED GROUP, REFLECTING THE AGGREGATE INCOME TAX**  
6 **LIABILITY OF ALL MEMBERS OF THE COMBINED GROUP THAT ARE ENGAGED IN A**  
7 **UNITARY BUSINESS.**

8           **(2) THE TAXABLE INCOME OF A CORPORATION REQUIRED TO FILE**  
9 **UNDER § 10-811(A)(2) OF THIS TITLE IS EQUAL TO THE COMBINED GROUP'S**  
10 **MARYLAND MODIFIED INCOME AS ADJUSTED UNDER SUBSECTION (D)(3) OF THIS**  
11 **SECTION.**

12           **(D) (1) THE MARYLAND MODIFIED INCOME OF THE COMBINED GROUP**  
13 **EQUALS THE PRODUCT OF:**

14                   **(I) THE COMBINED GROUP'S APPORTIONABLE MARYLAND**  
15 **MODIFIED INCOME, AS DETERMINED UNDER PARAGRAPH (2) OF THIS SUBSECTION**  
16 **AND ADJUSTED UNDER PARAGRAPH (3) OF THIS SUBSECTION; AND**

17                   **(II) THE COMBINED GROUP'S MARYLAND APPORTIONMENT**  
18 **FACTOR, AS DETERMINED UNDER PARAGRAPH (4) OF THIS SUBSECTION.**

19           **(2) (I) SUBJECT TO SUBPARAGRAPHS (II) THROUGH (IV) OF THIS**  
20 **PARAGRAPH, THE APPORTIONABLE MARYLAND MODIFIED INCOME OF THE**  
21 **COMBINED GROUP EQUALS THE SUM OF THE CORPORATION'S AND EACH MEMBER'S**  
22 **MARYLAND MODIFIED INCOME.**

23                   **(II) 1. SUBJECT TO SUBSUBPARAGRAPH 2 OF THIS**  
24 **SUBPARAGRAPH, FOR ANY MEMBER INCORPORATED IN THE UNITED STATES OR**  
25 **INCLUDED IN A CONSOLIDATED FEDERAL CORPORATE INCOME TAX RETURN, THE**  
26 **INCOME TO BE INCLUDED IN THE TOTAL APPORTIONABLE INCOME OF THE**  
27 **COMBINED GROUP IS THE MARYLAND MODIFIED INCOME AS CALCULATED UNDER §**  
28 **10-304 OF THIS TITLE.**

29                   **2. THE INCOME OF EACH MEMBER SHALL BE**  
30 **CALCULATED ON A SEPARATE RETURN BASIS AS IF THE MEMBER WERE NOT**  
31 **CONSOLIDATED FOR FEDERAL INCOME TAX PURPOSES.**

32                   **(III) 1. FOR ANY MEMBER NOT INCLUDED UNDER**  
33 **SUBPARAGRAPH (II) OF THIS PARAGRAPH, THE INCOME TO BE INCLUDED IN THE**  
34 **TOTAL INCOME OF THE COMBINED GROUP IS DETERMINED AS PROVIDED UNDER**  
35 **THIS SUBPARAGRAPH.**

1                   2.     A PROFIT AND LOSS STATEMENT SHALL BE PREPARED  
2 FOR EACH FOREIGN BRANCH OR CORPORATION IN THE CURRENCY IN WHICH THE  
3 BOOKS OF ACCOUNT OF THE BRANCH OR CORPORATION ARE REGULARLY  
4 MAINTAINED.

5                   3.     THE PROFIT AND LOSS STATEMENT SHALL BE  
6 ADJUSTED TO CONFORM TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AS  
7 ADOPTED BY THE UNITED STATES FINANCIAL ACCOUNTING STANDARDS BOARD  
8 FOR THE PREPARATION OF THE PROFIT AND LOSS STATEMENTS, EXCEPT AS  
9 MODIFIED BY REGULATION.

10                  4.     EXCEPT AS OTHERWISE PROVIDED BY REGULATION,  
11 THE PROFIT AND LOSS STATEMENT OF EACH MEMBER OF THE COMBINED GROUP,  
12 AND THE APPORTIONMENT FACTORS RELATED TO EACH STATEMENT, WHETHER  
13 UNITED STATES OR FOREIGN, SHALL BE TRANSLATED INTO THE CURRENCY IN  
14 WHICH THE PARENT COMPANY MAINTAINS ITS BOOKS AND RECORDS.

15                  5.     INCOME APPORTIONED TO THIS STATE SHALL BE  
16 EXPRESSED IN UNITED STATES DOLLARS.

17                  (IV) IF A UNITARY BUSINESS INCLUDES INCOME FROM A  
18 PARTNERSHIP, THE INCOME TO BE INCLUDED IN THE TOTAL INCOME OF THE  
19 COMBINED GROUP EQUALS THE DIRECT AND INDIRECT DISTRIBUTIVE SHARE OF  
20 THE PARTNERSHIP'S UNITARY BUSINESS INCOME ALLOCATED TO ANY MEMBER OF  
21 THE COMBINED GROUP.

22                  (3)     THE COMBINED GROUP'S APPORTIONABLE MARYLAND MODIFIED  
23 INCOME SHALL BE ADJUSTED TO ELIMINATE INTERCOMPANY TRANSACTIONS AS  
24 DETERMINED UNDER THE INTERNAL REVENUE CODE.

25                  (4)     (I)    SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH, THE  
26 COMBINED GROUP'S MARYLAND APPORTIONMENT FACTOR IS A FRACTION:

27                         1.     THE NUMERATOR OF WHICH IS THE SUM OF THE  
28 CORPORATION'S AND EACH MEMBER'S MARYLAND FACTORS UNDER § 10-402 OF  
29 THIS SUBTITLE; AND

30                         2.     THE DENOMINATOR OF WHICH IS THE SUM OF THE  
31 CORPORATION'S AND EACH MEMBER'S FACTORS UNDER § 10-402 OF THIS SUBTITLE.

32                         (II)  THE APPORTIONMENT FACTORS OF PASS-THROUGH  
33 ENTITY MEMBERS ARE INCLUDED IN THE NUMERATOR UNDER SUBPARAGRAPH (I)1  
34 OF THIS PARAGRAPH AND THE DENOMINATOR UNDER SUBPARAGRAPH (I)2 OF THIS

1 PARAGRAPH TO THE EXTENT OF THE CORPORATION'S DIRECT AND INDIRECT  
2 DISTRIBUTIVE SHARE OF THAT ENTITY.

3 (E) (1) SUBJECT TO REGULATIONS ADOPTED BY THE COMPTROLLER, A  
4 CORPORATION THAT IS PART OF A COMBINED GROUP MAY ELECT TO DETERMINE ITS  
5 INCOME DERIVED FROM OR ATTRIBUTABLE TO TRADE OR BUSINESS IN THE STATE  
6 USING THE WATER'S EDGE METHOD AS DESCRIBED IN THIS SUBSECTION.

7 (2) UNDER THE WATER'S EDGE METHOD, THE COMBINED GROUP FOR  
8 PURPOSES OF THE COMBINED REPORTING METHOD REQUIRED UNDER THIS  
9 SECTION SHALL INCLUDE ONLY THE FOLLOWING AFFILIATED ENTITIES:

10 (I) CORPORATIONS THAT ARE INCORPORATED IN THE UNITED  
11 STATES, EXCLUDING CORPORATIONS MAKING AN ELECTION UNDER §§ 931  
12 THROUGH 934 OF THE INTERNAL REVENUE CODE;

13 (II) DOMESTIC INTERNATIONAL SALES CORPORATIONS, AS  
14 DESCRIBED IN §§ 991 THROUGH 994 OF THE INTERNAL REVENUE CODE;

15 (III) ANY CORPORATION OTHER THAN A BANK, REGARDLESS OF  
16 THE PLACE WHERE IT IS INCORPORATED, IF THE AVERAGE OF THE CORPORATION'S  
17 PROPERTY, PAYROLL, AND SALES FACTORS WITHIN THE UNITED STATES IS 20% OR  
18 MORE;

19 (IV) EXPORT TRADE CORPORATIONS, AS DESCRIBED IN §§ 970  
20 AND 971 OF THE INTERNAL REVENUE CODE;

21 (V) A FOREIGN CORPORATION DERIVING GAIN OR LOSS FROM  
22 DISPOSITION OF AN INTEREST IN REAL PROPERTY IN THE UNITED STATES TO THE  
23 EXTENT RECOGNIZED UNDER § 897 OF THE INTERNAL REVENUE CODE; AND

24 (VI) UNDER THE CIRCUMSTANCES AND TO THE EXTENT  
25 PROVIDED BY REGULATIONS THAT THE COMPTROLLER ADOPTS:

26 1. A CORPORATION NOT DESCRIBED IN ITEMS (I)  
27 THROUGH (V) OF THIS PARAGRAPH TO THE EXTENT OF THE CORPORATION'S INCOME  
28 DERIVED FROM OR ATTRIBUTABLE TO SOURCES WITHIN THE UNITED STATES AND  
29 THE CORPORATION'S FACTORS ASSIGNABLE TO A LOCATION WITHIN THE UNITED  
30 STATES; OR

31 2. AN AFFILIATED CORPORATION THAT IS A  
32 CONTROLLED FOREIGN CORPORATION, AS DEFINED IN § 957 OF THE INTERNAL  
33 REVENUE CODE.

1           **(3) THE USE OF THE WATER'S EDGE METHOD IS SUBJECT TO THE**  
2 **TERMS AND CONDITIONS THAT THE COMPTROLLER REQUIRES BY REGULATION,**  
3 **INCLUDING ANY CONDITIONS THAT ARE NECESSARY OR APPROPRIATE TO PREVENT**  
4 **THE AVOIDANCE OF TAX OR TO REFLECT CLEARLY THE INCOME FOR ANY PERIOD.**

5           **(F) (1) (I) AN ELECTION TO USE THE WATER'S EDGE METHOD IN**  
6 **ACCORDANCE WITH SUBSECTION (E) OF THIS SECTION IS EFFECTIVE ONLY IF MADE**  
7 **ON A TIMELY FILED ORIGINAL RETURN FOR A TAX YEAR BY EVERY MEMBER OF THE**  
8 **UNITARY BUSINESS.**

9           **(II) THE COMPTROLLER SHALL DEVELOP REGULATIONS**  
10 **GOVERNING THE IMPACT, IF ANY, ON THE SCOPE OR APPLICATION OF AN ELECTION**  
11 **TO USE THE WATER'S EDGE METHOD, INCLUDING TERMINATION OR DEEMED**  
12 **ELECTION, RESULTING FROM A CHANGE IN THE COMPOSITION OF THE UNITARY**  
13 **BUSINESS, THE COMBINED GROUP, THE TAXPAYER MEMBERS, OR ANY OTHER**  
14 **SIMILAR CHANGE.**

15           **(2) AN ELECTION TO USE THE WATER'S EDGE METHOD SHALL**  
16 **CONSTITUTE CONSENT TO THE REASONABLE PRODUCTION OF DOCUMENTS AND**  
17 **TAKING OF DEPOSITIONS IN ACCORDANCE WITH THE MARYLAND RULES.**

18           **(3) AT THE DISCRETION OF THE COMPTROLLER, AN ELECTION TO**  
19 **USE THE WATER'S EDGE METHOD MAY BE DISREGARDED IN PART OR IN WHOLE, AND**  
20 **THE INCOME AND APPORTIONMENT FACTORS OF ANY MEMBER OF THE TAXPAYER'S**  
21 **UNITARY GROUP MAY BE INCLUDED IN THE COMBINED REPORT WITHOUT REGARD**  
22 **TO THE PROVISIONS OF THIS SECTION, IF ANY MEMBER OF THE UNITARY GROUP**  
23 **FAILS TO COMPLY WITH ANY PROVISION OF THIS SECTION OR IF A PERSON**  
24 **OTHERWISE NOT INCLUDED IN THE WATER'S EDGE COMBINED GROUP WAS AVAILED**  
25 **OF A SUBSTANTIAL OBJECTIVE OF AVOIDING STATE INCOME TAX.**

26           **(4) (I) SUBJECT TO SUBPARAGRAPHS (II) THROUGH (IV) OF THIS**  
27 **PARAGRAPH, AN ELECTION TO USE THE WATER'S EDGE METHOD IS BINDING FOR**  
28 **AND APPLICABLE TO THE TAXABLE YEAR IN WHICH THE ELECTION IS MADE AND ALL**  
29 **TAXABLE YEARS THEREAFTER FOR A PERIOD OF 10 YEARS.**

30           **(II) AN ELECTION TO USE THE WATER'S EDGE METHOD MAY BE**  
31 **WITHDRAWN OR REINSTITUTED AFTER WITHDRAWAL, BEFORE THE EXPIRATION OF**  
32 **THE 10-YEAR PERIOD, ONLY ON WRITTEN REQUEST FOR REASONABLE CAUSE AND**  
33 **ONLY WITH THE WRITTEN PERMISSION OF THE COMPTROLLER.**

34           **(III) IF THE COMPTROLLER GRANTS A WITHDRAWAL OF THE**  
35 **ELECTION UNDER SUBPARAGRAPH (II) OF THIS PARAGRAPH, THE COMPTROLLER**  
36 **SHALL IMPOSE REASONABLE CONDITIONS AS NECESSARY TO PREVENT THE EVASION**  
37 **OF TAX OR TO CLEARLY REFLECT INCOME FOR THE ELECTION PERIOD BEFORE OR**

1 AFTER THE WITHDRAWAL.

2 (IV) 1. SUBJECT TO SUBSUBPARAGRAPH 2 OF THIS  
3 SUBPARAGRAPH, ON THE EXPIRATION OF THE 10-YEAR PERIOD, A TAXPAYER MAY  
4 WITHDRAW FROM THE ELECTION TO USE THE WATER'S EDGE METHOD.

5 2. THE WITHDRAWAL SHALL BE MADE IN WRITING  
6 WITHIN 1 YEAR BEFORE THE EXPIRATION OF THE ELECTION AND IS BINDING FOR A  
7 PERIOD OF 10 YEARS, SUBJECT TO THE SAME CONDITIONS AS APPLIED TO THE  
8 ORIGINAL ELECTION.

9 3. IF NO WITHDRAWAL IS PROPERLY MADE UNDER THIS  
10 SUBPARAGRAPH, THE ELECTION TO USE THE WATER'S EDGE METHOD SHALL  
11 REMAIN IN EFFECT FOR AN ADDITIONAL 10-YEAR PERIOD, SUBJECT TO THE SAME  
12 CONDITIONS AS APPLIED TO THE ORIGINAL ELECTION.

13 (G) (1) THE COMPTROLLER SHALL ADOPT REGULATIONS THAT ARE  
14 NECESSARY AND APPROPRIATE TO CARRY OUT THIS SECTION.

15 (2) THE REGULATIONS ADOPTED BY THE COMPTROLLER SHALL BE  
16 CONSISTENT WITH THE "PRINCIPLES FOR DETERMINING THE EXISTENCE OF A  
17 UNITARY BUSINESS" (REG. IV.1.(B)) OF THE MODEL GENERAL ALLOCATION AND  
18 APPORTIONMENT REGULATIONS, AS ADOPTED BY THE MULTISTATE TAX  
19 COMMISSION.

20 10-811.

21 (A) (1) [Each member of] EXCEPT AS PROVIDED BY AND SUBJECT TO  
22 REGULATIONS ADOPTED BY THE COMPTROLLER, an affiliated group of corporations  
23 [shall file a separate income tax return] ENGAGED IN A UNITARY BUSINESS SHALL FILE  
24 A COMBINED INCOME TAX RETURN REFLECTING THE AGGREGATE INCOME TAX  
25 LIABILITY OF ALL THE MEMBERS OF THE AFFILIATED GROUP THAT ARE ENGAGED IN  
26 A UNITARY BUSINESS.

27 (2) THE RETURN REQUIRED UNDER PARAGRAPH (1) OF THIS  
28 SUBSECTION SHALL INCLUDE THE INCOME AND APPORTIONMENT FACTORS  
29 DETERMINED UNDER § 10-402.1(D) AND (E) OF THIS TITLE, AND ANY OTHER  
30 INFORMATION REQUIRED BY THE COMPTROLLER, FOR ALL MEMBERS OF THE  
31 COMBINED GROUP WHEREVER LOCATED OR DOING BUSINESS.

32 (3) (I) EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS  
33 PARAGRAPH, THE COMBINED RETURN SHALL BE FILED UNDER THE NAME AND  
34 FEDERAL EMPLOYER IDENTIFICATION NUMBER OF THE PARENT CORPORATION IF  
35 THE PARENT IS A MEMBER OF THE COMBINED GROUP.

1           **(II) IF THERE IS NO PARENT CORPORATION OR IF THE PARENT**  
2 **IS NOT A MEMBER OF THE COMBINED GROUP, THE MEMBERS OF THE COMBINED**  
3 **GROUP SHALL CHOOSE A MEMBER TO FILE THE RETURN.**

4           **(III) THE FILING MEMBER UNDER SUBPARAGRAPH (I) OR (II) OF**  
5 **THIS PARAGRAPH SHALL CONTINUE TO FILE THE COMBINED RETURN UNLESS THE**  
6 **FILING MEMBER IS NO LONGER THE PARENT CORPORATION OR NO LONGER A**  
7 **MEMBER OF THE COMBINED GROUP.**

8           **(4) THE RETURN SHALL BE SIGNED BY A RESPONSIBLE OFFICER OF**  
9 **THE FILING MEMBER ON BEHALF OF THE COMBINED GROUP MEMBERS.**

10           **(5) MEMBERS OF THE COMBINED GROUP ARE JOINTLY AND**  
11 **SEVERALLY LIABLE FOR THE TAX LIABILITY OF THE COMBINED GROUP INCLUDED**  
12 **IN THE COMBINED RETURN.**

13           **(B) (1) THE COMPTROLLER MAY, BY REGULATION, REQUIRE THAT THE**  
14 **COMBINED RETURN INCLUDE THE INCOME AND ASSOCIATED APPORTIONMENT**  
15 **FACTORS OF ENTITIES THAT ARE NOT INCLUDED IN THE COMBINED REPORT BUT**  
16 **THAT ARE MEMBERS OF A UNITARY BUSINESS IN ORDER TO REFLECT PROPER**  
17 **APPORTIONMENT OF INCOME OF THE ENTIRE UNITARY BUSINESS.**

18           **(2) IF THE COMPTROLLER DETERMINES THAT THE REPORTED**  
19 **INCOME OR LOSS OF A TAXPAYER ENGAGED IN A UNITARY BUSINESS WITH A MEMBER**  
20 **NOT INCLUDED IN THE COMBINED GROUP REPRESENTS AN AVOIDANCE OR EVASION**  
21 **OF TAX, THE COMPTROLLER MAY, ON A CASE-BY-CASE BASIS, REQUIRE THAT ALL**  
22 **OR PART OF THE INCOME AND ASSOCIATED APPORTIONMENT FACTORS OF THE**  
23 **MEMBER BE INCLUDED IN THE TAXPAYER'S COMBINED RETURN.**

24           **(3) THE COMPTROLLER MAY REQUIRE:**

25           **(I) THE EXCLUSION OF ONE OR MORE FACTORS, THE**  
26 **INCLUSION OF ONE OR MORE ADDITIONAL FACTORS, OR THE EMPLOYMENT OF ANY**  
27 **OTHER METHOD THAT WILL FAIRLY REPRESENT THE TAXPAYER'S BUSINESS IN THIS**  
28 **STATE; OR**

29           **(II) THE EMPLOYMENT OF ANY OTHER METHOD TO EFFECTUATE**  
30 **A PROPER REFLECTION OF THE TOTAL AMOUNT OF INCOME SUBJECT TO**  
31 **APPORTIONMENT AND AN EQUITABLE ALLOCATION AND APPORTIONMENT OF THE**  
32 **COMBINED GROUP'S OR ITS MEMBERS' INCOME.**

33           **(C) THE COMPTROLLER SHALL ADOPT REGULATIONS THAT ARE**  
34 **NECESSARY AND APPROPRIATE TO CARRY OUT THIS SECTION.**

1           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
2 1, 2024, and shall be applicable to all taxable years beginning after December 31, 2024.