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Testimony

HB 295- Corporate Income Tax – Combine Reporting
Ways and Means Committee
February 12th, 2020
Support

AFSCME Maryland representing state employees supports HB 295, with amendments, requiring certain corporations to compute Maryland taxable income using a certain combined reporting method.

Over the past several decades, state corporate income taxes have declined markedly. One of the factors contributing to this decline has been aggressive tax avoidance on the part of large, multi-state corporations, costing states billions of dollars. The most effective approach to combating corporate tax avoidance is combined reporting, a method of taxation currently employed in more than half of the states that tax corporate income.

As of 2017 over twenty-five states have adopted combine reporting. These twenty-five states believe that combine reporting is fairer than separate accounting because it ensures that a company's tax should not change because its organizational structure changes. It creates a level playing field between smaller and larger companies. Small companies doing business in only one state can't use separate accounting to reduce their tax because they have no business units in other states to shift their income to. Large, multi-state corporations will find it easier to avoid paying taxes using separate accounting because they have business units in multiple states.

Marylanders and small businesses already pay their fair share of taxes, and combined reporting is a way to ensures that multi-business in our state pay their fair share too. We believe that this a step in the right direction by giving local Maryland businesses a fair chance to compete with multi-state and multi-national companies. It removes the unfair advantages that exit for big businesses to engage in tax-evasion, at the expense of small businesses. Businesses that operate solely within in the state cannot duplicate the tax avoidance strategies of large, multi-state corporations, and therefore, are at a competitive disadvantage against companies with limitless resources.

We must begin to seek other ways of increasing revenues in Maryland. Strategies that broaden the corporate income tax base by eliminating loopholes can also ensure that profitable corporations pay their fair share for the public services they use every day. Not only is it good for the state, but it levels the playing field for those local business in Maryland who are job creators in our state.

For these reasons, we urge the committee a favorable report on HB 295.