



**Testimony in Support of
House Bill 46: Corporate Income Tax - Combined Reporting**

**Ways and Means Committee
Position: Favorable**

February 2, 2023

Strong Schools Maryland is a network of education advocates dedicated to ensuring the full funding and faithful implementation of the Blueprint for Maryland's Future. We are also a member of the Maryland Fair Funding Coalition, a group of more than a dozen organizations formed to ensure that the state has the resources it needs to make significant investments in education funding. **We stand in support of House Bill 46**, which if enacted, would eliminate a corporate tax loophole by requiring taxable income to be computed using a combined reporting method.

Large, multi-state and multinational corporations can take advantage of accounting gimmicks to avoid their tax responsibility in Maryland. A parent company and its subsidiaries can count as one corporation for state income tax purposes, effectively allowing companies to shift funds to other states to lower taxable income. This bill would bring our tax code up to speed with 29 other states (including DC). Further, the Fair Funding Coalition estimates that closing the loophole would raise at least \$120 million per year.

In December 2021, Maryland began automatically adding students under Medicaid coverage to the free or reduced-price school lunches program. This new criteria of eligibility has identified a large blindspot in our counting of students in poverty, which in turn affects the Blueprint for Maryland's Future. The Blueprint will require additional investment to serve these newly identified

students through programs like the concentration of poverty grants. The revenue source generated by combined reporting can help ensure the state keeps its commitment to students by fully funding the Blueprint for Maryland's Future.

Now is the time to ensure corporations pay their fair share, and now is the time to secure revenue sources that can fulfill the promises of the Blueprint.

For these reasons, we urge a favorable report on House Bill 46.

For more information, contact:

Maddie Long

maddie@strongschoolsmaryland.org