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HB 46 - Corporate Income Tax - Combined Reporting
House Ways and Means Committee
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SUPPORT

Donna S. Edwards
President
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Madam Chair and members of the Committee, thank you for the opportunity to provide testimony in support of HB 46 - Corporate Income Tax - Combined Reporting. My name is Donna S. Edwards, and I am the President of the Maryland State and DC AFL-CIO. On behalf of the 300,000 union members in the state of Maryland, I offer the following comments.

Maryland's workers already pay their fair share of taxes. Big corporations doing business and making profits in Maryland do not. Combined reporting ensures that multi-state corporations pay taxes on the incomes they generated in our state. HB 46 requires businesses to file tax returns as a single unitary business, preventing many businesses from eliminating their tax obligations through playing a shell game of hiding profits in corporate holding entities in states with lower taxes. This bill removes the unfair advantage that currently exists for big corporations to engage in tax-evasion, at the expense of workers and small businesses. Businesses that operate solely within our state cannot duplicate the tax avoidance strategies of large, multi-state corporations, and, therefore, are at a competitive disadvantage against companies with near limitless resources. Taxes are an obligation we share to fund the society we want and when businesses choose to not pay it forces others to pay more or cut vital services.

Twenty-eight states and the District of Columbia already use combined reporting. A report by the Center on Budget and Policy Priorities found that 108 of Maryland's 120 largest multistate corporations already operate in states with combined reporting. Of those 120 largest multistate corporations, over half of them operated in ten or more combined reporting states. Marriott testified in opposition to combined reporting in 2022 while simultaneously bragging about the number of hotels it operates throughout the country. Marriott has more hotels in California, a state with combined reporting, than any other state. The state with the second highest number of Marriott locations is Texas, another state with combined reporting. States as varied as West Virginia, Arizona, and Massachusetts all follow this same procedure for taxing interstate business transactions.

Businesses seek to operate in Maryland because they can generate a profit from our highly skilled workforce and robust consumer base. None of that would change if combined reporting were implemented. HB 46 would change the ability of companies to hide profits out of state so that they avoid their obligation to help fund the state services and programs that create the workforce and consumer base that they rely on.

According to analysis by the Maryland Center on Economic Policy implementing combined reporting would bring in $120 million annually to state revenues. Additional revenue will be needed over the next few years to ensure that we can meet our obligations under the Blueprint for Maryland's Future, along with any additional programs we hope to create.

HB 46 puts Maryland small businesses on an equal footing with their large competitors, ensuring every entity is paying taxes on income earned. Failing to close this loophole results in Maryland being shorted millions of dollars in revenue on an annual basis. That shortfall in tax revenue must be picked up by the workers of Maryland, and it is time to provide them with relief by holding multi-state corporations accountable. HB 46 brings fairness to our tax code. It takes the pressure off Maryland's workers and asks multinational corporations to start pulling their weight.

We urge a favorable report for HB 46.