

**OPPOSE – House Bill 0046
HB0046 – Corporate Income Tax – Combined Reporting
Ways and Means Committee
Thursday, February 2, 2023**

Potomac Edison, a subsidiary of FirstEnergy Corp., serves approximately 280,000 customers in all or parts of seven Maryland counties (Allegany, Carroll, Frederick, Garrett, Howard, Montgomery, and Washington Counties). FirstEnergy is dedicated to safety, reliability, and operational excellence. Its ten electric distribution companies form one of the nation's largest investor-owned electric systems, serving customers in Ohio, Pennsylvania, New Jersey, New York, West Virginia, and Maryland.

Unfavorable

Potomac Edison / FirstEnergy **opposes House Bill 0046 – Corporate Income Tax – Combined Reporting**. HB 0046 requires affiliated corporations to compute Maryland taxable income using a certain combined reporting method.

Potomac Edison / FirstEnergy requests an Unfavorable report on HB 0046 for the following reasons.

House Bill 0046, although vague and lacking necessary detail for implementation, proposes a dramatic change to Maryland's system of taxing businesses. Specifically, HB 0046 would replace the current individual or separate entity filing method with a unitary combined reporting method ("combined reporting"). Combined reporting has been exhaustively researched and debated among policymakers in Maryland. They have always concluded that combined reporting is not an appropriate or accurate method of computing state taxable income or attributing multistate business income to economic activity in Maryland.

Combined reporting would competitively disadvantage Maryland. Within the region, neighboring states - including Virginia, Pennsylvania, and Delaware - do not utilize the mandatory combined reporting method. Maryland's economic development efforts would be thwarted by the adoption of a new taxation system that would harm the attraction and retention of businesses and the jobs and economic opportunities these businesses provide.

Potomac Edison / FirstEnergy is highly regulated in each of the states in which we serve customers. The regulation over companies that distribute electricity imposes very strict accounting and is one key reason states like New Jersey have exempted regulated utilities from their unitary taxation statutes. The type of taxation contemplated in HB 0046 would overburden our electric customers, along with the Public Service Commissions in each state.

For the above reasons, and to avoid the negative consequences of utilizing the mandatory combined reporting method, Potomac Edison / FirstEnergy respectfully request an **Unfavorable** report on House Bill 0046.