

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 682 (Delegate C. Davis)

Ways and Means

Income Tax - Out-of-State Holding Companies Doing Business in Maryland

This bill provides that out-of-state holding companies receiving income from intangible sources from an affiliated corporation doing business in the State is also doing business in the State. Such holding companies must file an income tax return, and shall use the apportionment factor of the affiliated corporation, or, if there is more than one affiliated corporation, holding companies shall use an apportionment factor reflecting the proportional apportionment factors of each affiliated corporation.

This bill is effective July 1, 1998.

Fiscal Summary

State Effect: None. This bill codifies current practice.

Local Effect: None.

Small Business Effect: Meaningful for small out-of-state holding companies, which could be required to file a tax return and pay Maryland taxes.

Fiscal Analysis

State Revenues: This bill codifies existing practice of the Comptroller's Office regarding the taxation of out-of-state holding companies. Corporate income tax assessments of over \$27 million, with an additional \$25 million in interest and penalties, have been levied on out-of-state holding companies and are currently being appealed through the administrative and judicial process. Through this clarification, receipt of these revenues could be accelerated.

Additional Comments: This bill could require the apportionment of 100% of an active foreign corporation's income to Maryland if it has an operating company doing business in the State, from which it receives royalties, interest, or similar income.

Information Source(s): Office of the Comptroller (Bureau of Revenue Estimates),
Department of Legislative Services

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