HB 473

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 473 (Delegate Stewart, *et al.*)
Ways and Means Budget and Taxation

Income Tax – Pass–Through Entities, Throwback Rule, and Combined Reporting

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This bill, beginning in tax year 2022, (1) alters the distribution of corporate income tax revenues; (2) requires affiliated corporations to compute Maryland taxable income using combined reporting; (3) applies a "throwback" rule in determining whether sales are considered in the State for purposes of the State's corporate income tax apportionment formula; and (4) creates a State subtraction modification for certain deferred tax liabilities and assets. Beginning in tax year 2020, the bill authorizes a pass-through entity (PTE) to elect to be taxed at the entity level for the income tax. An individual or corporation may claim a tax credit against the State and county income tax equal to the tax paid by a PTE on the member's share of the PTE's taxable income. **The bill generally takes effect July 1, 2020.**

Fiscal Summary

State Effect: General fund revenues increase by $40.8 million, Transportation Trust Fund (TTF) revenues increase by $7.1 million, Blueprint for Maryland's Future Fund (BMFF) revenues increase by $133.6 million and Higher Education Investment Fund (HEIF) revenues increase by $2.2 million in FY 2023. TTF expenditures increase by $1.0 million in FY 2023 and by $0.5 million in FY 2025. General fund expenditures at the Comptroller's Office increase by $3.5 million in FY 2021.

($ in millions)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Revenue	$0	$0	$40.8	$33.7	$33.6
SF Revenue	$0	$0	$142.9	$146.7	$152.6
GF Expenditure	$3.5	$0.2	$0.2	$0.1	$0.1
SF Expenditure	$0	$0	$1.0	$0.8	$0.5
Net Effect	($3.5)	($0.2)	$182.6	$179.5	$185.5

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local highway user revenues increase by $1.0 million in FY 2023 and by $0.5 million in FY 2025. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Corporate Income Tax

Revenue Distribution: The bill alters the distribution of the corporate income tax beginning in fiscal 2023. The Comptroller must distribute 5.5% of corporate income tax revenues to the HEIF and 7.6% to the BMFF. After making these distributions, the Comptroller must distribute 15.5% of the remaining revenue (approximately 13.47% of *total* revenues) to the TTF. **Exhibit 1** shows the corporate income tax revenue distribution under current law and as proposed the bill.

Exhibit 1
Corporate Income Tax Revenue Distribution
Current Law and Proposed

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Current Law					
General Fund	79.41%	79.41%	79.41%	79.41%	79.41%
HEIF	6.00%	6.00%	6.00%	6.0%	6.00%
TTF	14.59%	14.59%	14.59%	14.59%	14.59%
Total	100.00%	100.00%	100.00%	100.00%	100.00%
Proposed					
General Fund	79.41%	79.41%	73.43%	73.43%	73.43%
HEIF	6.00%	6.00%	5.50%	5.50%	5.50%
BMFF	0%	0%	7.60%	7.60%	7.60%
TTF	14.59%	14.59%	13.47%	13.47%	13.47%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Blueprint: Blueprint for Maryland's Future Fund
BMFF: Blueprint for Maryland's Future Fund
HEIF: Higher Education Investment Fund
TTF: Transportation Trust Fund

Source: Department of Legislative Services

Combined Reporting: Beginning in tax year 2022, the bill requires corporations engaged in unitary business to compute Maryland taxable income using "combined reporting." The Comptroller is required to adopt regulations to carry out the combined reporting provisions of the bill, and the regulations must be consistent with the principles for determining the existence of a unitary business adopted by the Multistate Tax Commission (MTC).

Combined groups are required to file "combined income tax returns," except as provided by regulations. A corporation or pass-through entity that is a member of a combined group must compute its Maryland taxable income using the combined reporting method (1) taking into account the combined income of all members of the combined group; (2) apportioning the combined income to Maryland using the combined factors of all members of the combined group; and (3) allocating the apportioned income among the members of the group that are subject to the Maryland income tax. If a unitary business includes income from a partnership, the income must be included in the total income of the combined group equals the direct and indirect distributive share of the partnership's unitary business income allocated to any member of the combined group. The bill provides that, subject to regulations issued by the Comptroller, corporations may elect to use the "water's edge method," essentially including only corporations incorporated in the United States and those generally having significant United States presence in the combined group for combined filing purposes.

Throwback Rule: Sales of tangible personal property must be included in the numerator of the sales factor used for determining the Maryland taxable income of a multistate corporation if (1) the property is delivered or shipped to a purchaser within the State, regardless of the point from where it is shipped or other conditions of the sale or (2) the property is shipped from an office, store, warehouse, factory, or other place of storage in the State and the corporation is not taxable in the state of the purchaser. The bill provides that a corporation is considered taxable in a state if (1) in that state the corporation is subject to a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business, or a corporate stock tax or (2) that state has jurisdiction to subject the taxpayer to a net income tax, regardless of whether, in fact, the state imposes a tax.

The bill states that it is the intent of the General Assembly that the general fund revenues attributable to the "throwback" rule be used to provide additional support to Maryland's historically black colleges and universities (HBCUs).

Tax Assessment: The Comptroller must assess interest and penalties if a corporation pays estimated tax of less than 90% of the required tax for tax year 2022.

Deferred Tax Liabilities and Assets Subtraction Modification

The bill creates a subtraction modification against the State corporate income tax for a corporation that was publicly traded or affiliated with a publicly traded corporation on or before the enactment of combined reporting, as enacted by the bill, if the enactment resulted in an aggregate (1) increase to the combined group's net deferred tax liability; (2) decrease to the combined group's net deferred tax asset; or (3) change from a net deferred tax asset to a net deferred tax liability. The subtraction modification, subject to certain calculations, is equal to one-tenth of the amount necessary to offset the increase, decrease, or change. It may be used to reduce the combined group's Maryland modified income for 10 consecutive years beginning with the first taxable year that begins after December 31, 2026.

The subtraction calculated under the bill may not be reduced as a result of any event that occurs after the calculation, including the disposition or abandonment of any asset. The subtraction must be calculated without regard to the federal tax effect and may not alter the tax basis of any asset.

If the subtraction exceeds Maryland modified income computed without regard to the subtraction, the excess amount may be carried forward to succeeding tax years until the excess is fully used.

By July 1, 2023, a combined group that intends to claim a subtraction under the bill must file with the Comptroller a statement that specifies the total amount of the subtraction that the combined group intends to claim. The Comptroller may review and alter the amount of the subtraction specified in the statement or the subtraction claimed on a tax return for any taxable year.

PTE Tax Election

A PTE may elect to pay tax imposed on resident members. The tax for a PTE that elects to be taxed at the entity level is the sum of the lowest county tax rate imposed and the top marginal State tax rate for individuals applied to the sum of each individual member's distributive or pro rata share of the PTE's taxable income. For entity members, the tax rate is equal to the State corporate income tax rate. The tax required to be paid by a PTE that makes the election may not exceed the sum of all of the members' shares of the PTE's distributable cash flow. A PTE that elects to pay the tax with respect to the resident members' shares must report to the Comptroller on a quarterly basis a list of those resident members and the counties in which they reside. The Comptroller must distribute to each county the portion of income tax revenue attributable to the tax imposed under the bill based on the lowest county tax rate and attributable to each individual member residing in that county. These provisions are effective beginning with tax year 2020.

Current Law: A corporate income tax rate of 8.25% is applied to a corporation's Maryland taxable income. In general, the Maryland corporate income tax is computed using federal provisions to determine income and deductions. Maryland is a "unitary business" State, in that a corporation is required to allocate all of its Maryland income (that portion that is "derived from or reasonably attributable to its trade or business in the State") attributable to the corporation's "unitary business." Essentially, a unitary business exists when the operations of the business in various locations or divisions or through related members of a corporate group are interrelated to and interdependent on each other to such an extent that it is reasonable to treat the business as a single business for tax purposes, and it is not practicable to accurately reflect the income of the various locations, divisions, or related members of a corporate group by separate accounting.

Under Maryland law, however, the application of the unitary business principle is limited in the case of affiliated groups of related corporations because of the requirement that each separate corporation must file a separate income tax return and determine its own taxable income on a separate basis. For a multicorporate group, the unitary business principle is restricted to consider only the isolated income and business activities of each separate legal entity. Even though the activities of related corporations may constitute a single unitary business, the affiliated corporations that lack nexus with the State (or are protected from taxation by federal law) are not subject to the corporate income tax, and neither the net income nor the apportionment factors of those affiliated corporations are taken into account on the corporate income tax return of any related corporation that is subject to the tax.

Under existing Maryland apportionment of income rules, the sales factor of the apportionment fraction is generally determined by including in the denominator all sales of the corporation and by including in the numerator only those sales of property delivered or shipped to a purchaser within the State, regardless of point of shipment or other conditions of sale, making Maryland a "destination" state. However, federal law essentially prevents other states from imposing corporate taxes on sales by Maryland corporations, even though they make sales in those states, if the corporation limits its activities in the other states to specified permissible activities. The interaction of Maryland's corporate taxation rules and the federal restriction therefore results in "nowhere income" – income that is apportioned nowhere for state income tax purposes. Under the bill, in calculating the sales factor of the apportionment fraction, sales of goods to a purchaser located in another state where the seller is not taxable are included (or "thrown back") in the numerator if the property is shipped from Maryland.

PTE Income Tax Returns

The PTE income tax return is generally an information return. The entity's income or loss is passed through to the separate members for taxation purposes. If a PTE is owned by a nonresident, it may be subject to the nonresident PTE income tax. A credit may be claimed

on a member’s income tax return for any tax paid on behalf of a nonresident member by the PTE. The PTE may elect to file a composite return on behalf of qualified nonresident individual members under which the entity would be the agent to receive any refund or to pay any tax due. Nonresident fiduciary and nonresident entity members may not participate in the filing of the composite return.

The Blueprint for Maryland’s Future

BMFF is a special nonlapsing fund that may be used only to assist in providing adequate funding for early childhood education and primary and secondary education based on the recommendations of the Commission on Innovation and Excellence in Education, including revised education funding formulas. Chapter 771 of 2019 established in statute the policy framework for a world-class education system in Maryland based on the commission’s recommendations. When fully phased in, the commission’s recommendations are expected to require an additional $2.8 billion in State funding and $1.2 billion in local funding by fiscal 2030.

Background:

Maryland’s Corporate Income Tax

Every Maryland corporation and every corporation that conducts business within Maryland, including public service companies and financial institutions, are required to pay the corporate income tax. The tax base is the portion of federal taxable income, as determined for federal income tax purposes and adjusted for certain Maryland addition and subtraction modifications, that is allocable to Maryland. Federal taxable income, for this purpose, is the difference between total federal income and total federal deductions (including any special deductions).

The next step is to calculate a corporation’s Maryland taxable income. The Maryland taxable income of a corporation that operates wholly within the State is equal to its Maryland modified income. Corporations engaged in multistate operations are required to determine the portion of their modified income attributable to Maryland, based on the amount of their trade or business carried out in Maryland.

Prior to tax year 2018, corporations were generally required to use either a three-factor apportionment formula of payroll, property, and sales, with sales double weighted or, in the case of a manufacturing corporation, a one-factor formula based on sales, referred to as a single sales factor formula. The apportionment factor is then multiplied by the corporation’s modified income to determine Maryland taxable income.

Chapters 341 and 342 of 2018 phase in a requirement that all corporations subject to the corporate income tax, with an exception for specified worldwide headquartered companies, use a single sales factor formula to apportion income to the State.

The Maryland tax liability of a corporation equals the Maryland taxable income multiplied by the tax rate, less any tax credits.

Throwback Rule

The Comptroller's Office issued in March 2013 its most recent analysis of the revenue impact of adopting the throwback rule on corporate income tax returns filed in tax year 2010. The Comptroller's Office estimated that under a throwback rule, 144 entities would have had $4.6 billion of income from sales made into states in which they did not have nexus thrown back to Maryland. After apportioning this income and accounting for losses, corporate income tax revenues would have increased by $15.7 million, with 94 of the entities paying additional taxes. If sales to the federal government were also thrown back to Maryland, which is not required by the bill, corporate income taxes would have increased by an additional $28.1 million. In tax years 2006, 2007, 2008, and 2009, adoption of a throwback rule that did not include government sales was estimated to have increased corporate income tax revenues by $44.3 million, $31.3 million, $32.8 million, and $96.5 million, respectively.

The Comptroller's Office states that the actual revenue gain from the throwback rule in each tax year would have been greater as single-entity corporations and noncorporate entities were exempt from the reporting requirements.

As **Exhibit 2** shows, 28 states and the District of Columbia currently have some type of throwback rule.

Exhibit 2
States with Throwback Rules

Alabama	Kansas	North Dakota
Alaska	Kentucky	Oklahoma
Arkansas	Louisiana	Oregon
California	Maine	Rhode Island
Colorado	Massachusetts	Tennessee
Connecticut	Mississippi	Utah
District of Columbia	Missouri	Vermont
Hawaii	Montana	West Virginia
Idaho	New Hampshire	Wisconsin
Illinois	New Mexico	

Source: CCH Intelliconnect

Combined Reporting

As **Exhibit 3** shows, more than half of the states and the District of Columbia currently require some form of combined reporting. The other states, including Maryland, allow or require that taxes on income be computed on the basis of the books and records of separate corporate entities without regard to the fact that the entity may be a member of a commonly owned and controlled group of entities functioning as a single business.

Exhibit 3
States with Combined Reporting

Alaska	Kentucky	New York
Arizona	Maine	North Dakota
California	Massachusetts	Ohio
Colorado	Michigan	Rhode Island
Connecticut	Minnesota	Texas
District of Columbia	Montana	Utah
Hawaii	Nebraska	Vermont
Idaho	New Hampshire	West Virginia
Illinois	New Jersey	Wisconsin
Kansas	New Mexico	

Source: CCH Intelliconnect

Of the states with combined reporting, 11 are members of MTC. Member states pool their resources to select candidates for tax audits. The commission's audit staff performs these audits as though they were part of a state's own audit staff, forwarding their findings and recommendations to the member states for assessment and collection at the completion of the audit.

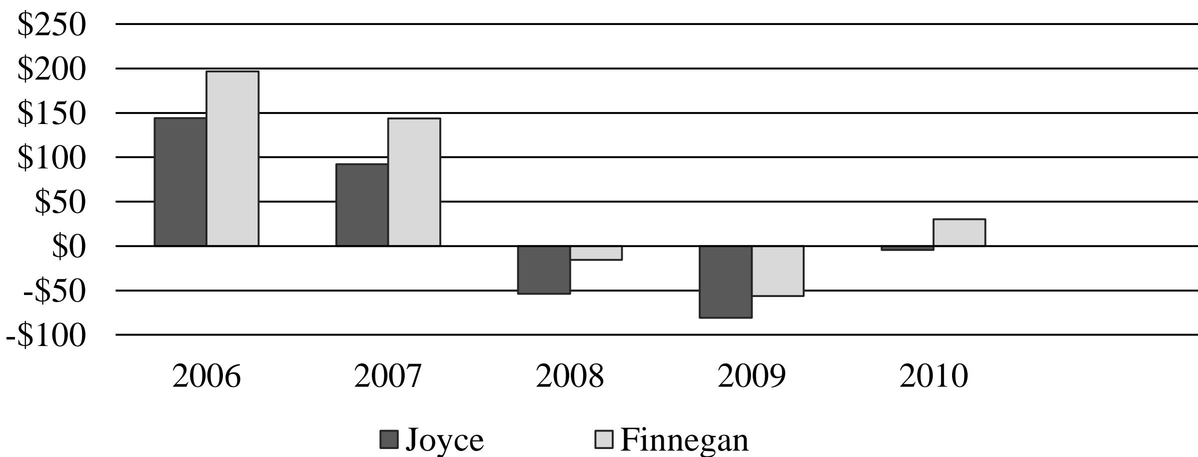
Comptroller's Analysis of Combined Reporting

The Comptroller's Office issued its most recent analysis of the revenue impact of combined reporting in March 2013, including an initial analysis of the impact combined reporting would have had on corporate income tax returns filed in tax year 2010. The Comptroller's Office estimated the impact under two different methods of apportioning the income of a combined group to Maryland (known as "Joyce" and "Finnegan") and concluded that the specific method employed could alter the estimated revenue impacts. Under both methods, the denominator of the apportionment factor is based on the total payroll, property, and sales of all members of the unitary group, regardless of whether they are subject to Maryland's corporate income tax (have nexus with Maryland). Under the Joyce method of apportionment, the numerator consists of the payroll, property, and sales of all of the entities in the group with nexus. The Finnegan method apportions the payroll, property, and sales of all entities with nexus with Maryland as well as the payroll, property, and sales of companies that make sales into the State.

The Comptroller's Office estimates that the Joyce method of apportionment would have decreased corporate income tax revenues in tax year 2010 by about $4.5 million, and revenues would have increased by $30.1 million under Finnegan. About 65% of the revenues that would have been generated under Finnegan in tax year 2010 were attributable to corporations in the retail trade and accommodation and food services industries.

Tax year 2010 data shows that the total tax liabilities for health care and social assistance, transportation and warehousing, and utility industries would have been almost $40.9 million lower under Joyce, while the retail, professional, scientific, and technical services and administrative support, waste management, and remediation services industries would have paid about $37.7 million more in tax. It should be noted that even within industries with a significant change in total tax liabilities, the change was not uniform for all corporations. For example, in tax year 2010, under Finnegan, 32% of corporations would have had a tax decrease, 40% a tax increase, and 28% would have had no change. **Exhibit 4** shows the corporate income tax revenues under the Finnegan and Joyce methods from tax year 2006 through 2010.

Exhibit 4
Effect of Combined Reporting
Tax Years 2006-2010
($ in Millions)



Source: Comptroller's Office

Pass-through Entities

A PTE is a business structure that avoids the double taxation imposed on an ordinary corporation. A corporation's income generally is taxed at the corporate level and taxed again at the individual level when income is distributed as dividends (cash) to the owners or shareholders. However, PTE income "flows through" and is allocated to the owners of the entity, who pay income tax at the individual level on this income. Owners may choose the type of entity to form for a variety of reasons, including the number of owners, liability protection, profit distribution, ease of formation, and tax treatment.

In order for a business to be treated as a PTE, the entity must organize under State law and make an election to file as a PTE on the entity's federal income tax return. PTEs generally fall within one of five categories: sole proprietorship; general partnership; limited partnership; limited liability company; and S corporation (a corporation that is taxed as a PTE).

Federal Tax Cuts and Jobs Act and States' Response

Under the federal Tax Cuts and Jobs Act of 2017, the maximum state and local tax deduction is limited to $10,000 – $5,000 for married taxpayers filing separately – in aggregate of income or sales taxes, real property taxes, and certain personal property taxes through tax year 2025. In response to this limitation, several states have enacted or proposed legislation subjecting PTEs to an entity-level income tax in order to allow state and local taxes to be deducted notwithstanding the limitation. Under current Internal Revenue Service (IRS) interpretations, taxes paid by entities are fully deductible and not subject to the $10,000 (or $5,000) limitation.

Connecticut, Louisiana, New Jersey, Oklahoma, Rhode Island, and Wisconsin have enacted legislation creating PTE tax plans. The IRS and the U.S. Treasury have not issued formal guidance on these newly enacted state-level PTE tax plans. However, the IRS published regulations that have disallowed workarounds related to government-created charitable funds for a variety of programs whereby donors can receive a state tax credit in exchange for donations.

The Comptroller's Office estimates the PTE tax election will reduce federal taxes by approximately $425 million for 139,000 households (although this estimate includes Schedule C income, which is not applicable to the bill).

State Revenues: The bill beginning in tax year 2022 alters the distribution of corporate income tax revenues, requires combined reporting, and adopts the throwback rule under the corporate income tax. As a result, general fund revenues increase by $40.8 million, TTF revenues increase by $7.1 million, BMFF revenues increase by $133.6 million, and

HEIF revenues increase by $2.2 million in fiscal 2023. **Exhibit 5** shows the revenue effect of these provisions of the bill.

Exhibit 5
FY 2023-2025 Revenue Impacts of the Bill

	FY 2023	FY 2024	FY 2025
Altering the Corporate Income Tax Distribution			
General Fund	($94.1)	($98.8)	($103.1)
HEIF	(7.9)	(8.3)	(8.6)
BMFF	119.6	125.6	131.1
TTF	(17.7)	(18.6)	(19.4)
Total	**$0.0**	**$0.0**	**$0.0**
Combined Reporting			
General Fund	$100.7	$98.0	$101.8
HEIF	7.5	7.3	7.6
Blueprint	10.4	10.1	10.5
TTF	18.5	18.0	18.7
Total	**$137.2**	**$133.4**	**$138.7**
Throwback Rule			
General Fund	$34.2	$34.5	$34.8
HEIF	2.6	2.6	2.6
Blueprint	3.5	3.6	3.6
TTF	6.3	6.3	6.4
Total	**$46.5**	**$47.0**	**$47.5**
Net Effect			
General Fund	$40.8	$33.7	$33.6
HEIF	2.2	1.7	1.6
Blueprint	133.6	139.4	145.3
TTF	7.1	5.7	5.7
Total	**$183.7**	**$180.4**	**$186.1**

Blueprint: Blueprint for Maryland's Future Fund
HEIF: Higher Education Investment Fund
TTF: Transportation Trust Fund

Source: Department of Legislative Services

This estimate is based on the Comptroller's estimate of the adoption of a throwback rule and assumes that pass-through entities will be required to comply with the throwback rule. Accordingly, the estimate assumes 40% of the revenue is from corporations and 60% is from pass-through entities. The estimated impact for combined reporting also reflects the average impact of combined reporting in prior tax years, adjusted for subsequent changes in the economy and corporate income tax revenues. However, it does not account for the current global pandemic and any upcoming recessions. It also reflects combined reporting using the Finnegan method. Additionally, if the Comptroller participates in the MTC income tax audit program, it has the potential to increase revenues by an additional $1.0 million annually, which is not reflected in Exhibit 5.

The actual impact of combined reporting could vary significantly from the estimates based on these variables and the implementation of combined reporting as adopted by regulations. In any given year, revenues could decrease significantly due to the high level of volatility in factors that influence the corporate income tax. During the last major recession, the Great Recession, the Comptroller's Office estimates that tax year 2008 and 2009 corporate income tax revenues under Finnegan would have been $15.4 million and $56.1 million lower compared to current law. Analysts currently predict that the United States economy is entering into a recession. Thus, the Department of Legislative Services (DLS) stresses that the revenue increase from combined reporting could be significantly less than estimated, and the provision could potentially decrease revenues to the extent economic conditions continue to deteriorate.

Revenue Transfers

The bill states that it is the intent of the General Assembly that the general fund revenues attributable to the "throwback" rule be used to provide additional support to HBCUs. Accordingly, transfers and expenditures for this purpose may increase beginning in fiscal 2023, resulting in a corresponding decrease in general fund revenues shown in Exhibit 5.

PTE Tax Election

Under the bill, PTEs may elect to pay taxes on behalf of all members. PTEs that elect to pay taxes will pay a tax rate of 8.25% for corporate PTE members' shares of taxable income, and these corporations will receive a credit for the taxes paid. PTEs making the election also pay tax on behalf of individual PTE members at the highest marginal State income tax rate (5.75%) and the lowest county tax rate (2.25% in tax year 2020). This revenue attributable to the lowest county tax rate is distributed to the counties. Thus, individual taxpayers receive a State credit for the taxes paid attributable to the 5.75% State tax rate and a county credit for the taxes paid attributable to the lowest county tax rate

imposed. Accordingly, this provision of the bill is revenue neutral for PTEs paying tax on members' share of taxable income.

Deferred Tax Liabilities and Assets Subtraction Modification

The subtraction modification provision of the bill has no immediate fiscal impact, as subtraction modifications may be claimed beginning in tax year 2027. As a result, fiscal 2027 revenues will decrease by approximately 30% of the tax year 2027 decrease stemming from the subtraction modification due to corporations adjusting estimated tax payments. General fund, TTF, and HEIF revenues further decrease in fiscal 2028. The Comptroller's Office advises that fewer than five corporations would be able to claim the subtraction, but they are not able to disclose the fiscal impact of the bill due to taxpayer confidentiality. However, the Comptroller's Office advises that the revenue loss would likely not be significant.

Local highway user revenues will decrease beginning in fiscal 2027 to the extent that corporations claim the subtraction modification.

State Expenditures: The Comptroller's Office reports that it will incur additional expenditures beginning in fiscal 2021 in order to implement the bill. These expenses include:

- hiring two revenue examiners to process PTE tax credits beginning in the second-half of fiscal 2021;
- hiring two contractual tax consultants to respond to legal questions, process amended returns, and create tax forms and webpages beginning in part of fiscal 2021 through one-half of fiscal 2023;
- hiring one contractual revenue examiner to handle an expected increase in taxpayer queries beginning in part of fiscal 2021 through one-half of fiscal 2023;
- consultant fees for aiding in drafting regulations and administrative implementation;
- computer programming expenditures, including processing changes to the income tax return processing and imaging systems and systems testing;
- taxpayer notification expenses; and
- providing training to corporate audit and taxpayer service staff.

Exhibit 6 shows the estimated administrative costs at the Comptroller's Office in fiscal 2021 through 2025. The Comptroller's Office is transitioning from its SMART system to a new integrated tax system, the Compass project. It is expected that the corporate income tax will transition to the new system during the first quarter of 2021. The cost of modifying the Compass system for combined reporting will depend on contract renegotiations, thus, it is unknown at this time. However, since the corporate income tax is

the third largest tax type in the State and the entire Compass project is projected to cost over $150.0 million, the Comptroller estimates that it may cost approximately $2.5 million in fiscal 2021 to add combined reporting to the system. It will also incur $165,000 to add the PTE tax election to the systems. DLS notes that since these costs are unknown, the actual costs could vary.

Exhibit 6
Comptroller's Office Administrative Expenses
Fiscal 2021-2025

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Computer Programming	$2,665,000	$0	$0	$0	$0
Consultants	550,000	0	0	0	0
Auditors	94,700	126,700	65,100	0	0
Taxpayer Notification	38,750	0	0	0	0
Training Expenses	41,550	0	0	0	0
Revenue Examiners	61,200	99,700	101,800	105,300	109,000
Total Expenses	**$3,451,200**	**$226,400**	**$166,900**	**$105,300**	**$109,000**

Additionally, if the Comptroller participates in the MTC's income tax audit program, which would require the Comptroller's Office to provide assessments on audits of multistate businesses, expenditures will increase by $200,000 annually.

A portion of TTF revenues are used to provide capital transportation grants to local governments. Thus, any increase in TTF revenues from corporate tax revenues results in a 13.5% increase in TTF expenditures to local governments (9.6% beginning in fiscal 2025). Accordingly, TTF expenditures increase by $1.0 million in fiscal 2023 and by $0.5 million in fiscal 2025, as shown in Exhibit 5.

Local Revenues: Local governments receive a portion of corporate income tax revenues as local highway user revenues through capital transportation grants. Under this bill, local highway user revenues increase by $1.0 million in fiscal 2023 and by $0.5 million in fiscal 2025.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Comptroller's Office; CCH Intelliconnect; *The Washington Post*; Department of Legislative Services

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