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AFT-Maryland

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**Written Testimony from the AFT-Maryland
SB 311 – Corporate Tax Fairness Act of 2020
Senate Budget and Taxation Committee
January 29, 2020**

SUPPORT

Good afternoon Mr. Chair and members of the Senate Budget and Taxation Committee. On behalf of the 20,000 state, municipal, and public education workers residing in Maryland, AFT-Maryland enthusiastically calls for a favorable report for SB 311, the bill that initiates combined reporting and the throwback rule which would close the tax loophole that allowed out-of-state corporations to use complex accounting gimmicks to avoid paying Maryland state income taxes.

As the statewide organization for the Baltimore Teachers Union, as well as unions representing thousands of state employees, AFT-Maryland has a long history of supporting bills such as these that not only make sure our state maintains the fiscal health needed to offer vital educational and residential services to Marylanders, but make sure our tax code is fair, equitable, and progressive, whereby those who are more privileged and have more resources at their disposal are asked to pay their fair share.

Members of the committee: Maryland can simply no longer afford allowing the wealthy and most privileged who do business in our state to exploit outdated income tax loopholes. For too long, while we as a state have allowed these loopholes to be exploited, our state agencies have failed to meet basic staffing needs, and, as the Kirwan Commission has pointed out, students in our state have not been receiving the resources they deserve to be successful in their education. Maryland must stop putting the priorities of out-of-state corporations above the needs of its own residents and students.

Senate Bill 311 will close these loopholes and make these out-of-state corporations pay their fair share. Using the method known as “Combined Reporting,” and initiating what is known as the “Throwback Rule,” it closes a loophole by which 48 of the wealthiest 150 corporations had been able to shield their taxable income in Maryland, effectively paying no taxes in the state despite doing very successful business in the state. In addition, this bill will level the playing field by requiring these businesses pay in taxes the same amount that local, competitor business based in Maryland must pay.

Currently, 24 states and the District of Columbia have enacted some form of combined reporting, and 28 states and the District of Columbia utilize the throwback rule-- The majority of these states are states where Republicans control the legislature, like Alaska, West Virginia, Kansas, Wisconsin, and others that have made the decision to close these inefficient loopholes that do little to benefit everyday Marylanders and our local businesses. Enacting this bill, and thereby closing these tax loopholes that so many other states have closed, DLS reports that we can generate hundreds of millions of dollars in revenue to meet the needs of our state agencies and educational systems. It is for these reasons that we ask that this committee give a favorable report to SB 311: the Corporate Tax Fairness Act of 2020.