



THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

HOUSE BILL 295

CORPORATE INCOME TAX – COMBINED REPORTING

February 12, 2020

MADAM CHAIR, MR. VICE CHAIR, MEMBERS OF THE WAYS AND MEANS COMMITTEE, I AM HERE TO PRESENT HOUSE BILL 295, WHICH CHANGES HOW CORPORATE INCOME TAX IS CALCULATED IN MARYLAND.

COMBINED REPORTING WOULD REQUIRE A MULTI-STATE PARENT CORPORATION TO ADD TOGETHER THE PROFITS OF ITS SUBSIDIARIES REGARDLESS OF WHERE THEY ARE LOCATED INTO ONE REPORT TO DETERMINE TAXABLE INCOME IN MARYLAND. THIS PREVENTS A MULTI-STATE CORPORATION FROM REDUCING ITS TAXABLE PROFITS THROUGH A RANGE OF LEGAL ACCOUNTING PRACTICES INCLUDING SETTING UP A REAL ESTATE INVESTMENT TRUST OR A SUBSIDIARY IN A STATE SUCH AS DELAWARE OR NEVADA THAT DOESN'T TAX CERTAIN TYPES OF INCOME.

IMPACT

- **FAIRNESS:** COMBINED REPORTING PUTS LARGE, MULTI-STATE COMPANIES ON MORE EQUAL TAX FOOTING WITH MARYLAND ONLY BUSINESSES. MAIN STREET BUSINESSES DON'T HAVE THE RESOURCES TO DEVELOP COMPLICATED TAX AVOIDANCE STRUCTURES.
- **A GROWING TREND AROUND THE COUNTRY:** COMBINED REPORTING LAWS ARE NOW IN EFFECT IN 29 STATES AND THE DISTRICT OF COLUMBIA. THE GOVERNOR OF PENNSYLVANIA HAS PROPOSED COMBINED REPORTING AS PART OF HIS FY21 BUDGET PROPOSAL. WITH AN AVERAGE OF 2-3 STATES PER YEAR ADOPTING COMBINED REPORTING, AN INCREASING NUMBER OF MULTI-STATE CORPORATIONS ARE BEING SUBJECT TO THIS REPORTING LAW AND THERE ARE FEWER STATES TO WHICH COMPANIES CAN NOW TURN TO AVOID COMBINED REPORTING.

- **REVENUE GENERATION:** COMBINED REPORTING IS EXPECTED TO GENERATE ABOUT \$34 MILLION IN FY 2021 INCREASING TO \$138 MILLION IN FY 2025. THERE IS NO LOCAL EFFECT OF ADOPTING COMBINED REPORTING AND A MINIMAL SMALL BUSINESS EFFECT.

HB 295 IS PART OF A PACKAGE OF FAIR FUNDING BILLS THAT WILL GENERATE REVENUE DESIGNATED FOR THE KIRWAN COMMISSION FOR INNOVATION AND EXCELLENCE IN EDUCATION. CORPORATIONS BENEFIT FROM EXCELLENT PUBLIC SCHOOLS AND A WELL-EDUCATED WORKFORCE. COMBINED REPORTING WILL HELP ENSURE THE LARGEST COMPANIES PAY THEIR FAIR SHARE OF TAXES AND HELP FUND PRE-K TO 12 EDUCATION.

I ASK FOR YOUR FAVORABLE REPORT.