



SB511 Corporate Tax Fairness Act of 2021

Support w/ Amendment

On behalf of United Parcel Service (UPS), we respectfully request additional language (provided on the next page) be added on pg. 9 after line 26. This amendment would provide certainty to transportation taxpayers as the state transitions to unitary combined filing. It allows taxpayers to avoid disagreement and potential costly litigation in rules interpretation with the Comptroller's Office. It will take time for the Comptroller's Office to develop rules governing the implementation of combined unitary reporting – legislative apportionment certainty will allow the Comptroller's Office to focus on other matters – including internal systems, changes and training. Other states have taken 3 to 5 years to feel fully comfortable with the transition.

30 other states utilize forms of mileage apportionment to apportion the income of transportation companies – these states include California and Illinois. This methodology was recently implemented in New Jersey when the state moved to combined unitary filing, effective 1/1/19. We have always considered this a fair representation of economic activity, but it has only recently become available to us due to advances in technology, which resulted in more sophisticated and detailed information received regarding our operations.

Mileage is a fair representation of the economic activity of a transportation company. In combined unitary filing, ton miles equalizes the various transportation modes – aircraft versus tractor trailer versus small delivery van – and can be utilized by companies providing multiple lines of transportation services. An air mile and a ground mile each have a vastly different impact on income, and incorporating tonnage is important to bridge that gap.

We are not against combined unitary reporting – merely want certainty in how we apportion to Maryland – this certainty is something we strive for across all states.

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IF THE COMBINED GROUP IS ENGAGED IN THE TRANSPORTATION OF FREIGHT BY AIR OR GROUND, THE COMBINED GROUP'S MARYLAND APPORTIONMENT FACTOR IS A FRACTION:

- 1. THE NUMERATOR OF WHICH IS THE TON MILES TRAVELLED BY THE COMBINED GROUP'S MOBILE ASSETS IN THIS STATE.**
- 2. THE DENOMINATOR OF WHICH IS THE TON MILES TRAVELLED BY THE COMBINED GROUP'S MOBILE ASSETS EVERYWHERE.**
- 3. THIS SUBPARAGRAPH SHALL APPLY IF THE 50 PERCENT OR MORE OF THE COMBINED GROUP'S MARYLAND MODIFIED INCOME IS DERIVED FROM THE TRANSPORTATION OF FREIGHT BY AIR OR GROUND.**