



# POSITION STATEMENT

TESTIMONY PRESENTED TO THE HOUSE WAYS AND MEANS COMMITTEE

HOUSE BILL 229 -- CORPORATE INCOME TAX – THROWBACK RULE

Delegate Stewart

January 28, 2021

DONALD C. FRY  
PRESIDENT & CEO

GREATER BALTIMORE COMMITTEE

## Position: Oppose

House Bill 229 applies a “throwback” rule in determining whether sales are considered in the State for purposes of the State’s corporate income tax apportionment formula. The bill requires businesses to include in its Maryland apportionment factor sales in states in which it is not subject to tax plus all sales in Maryland. Current law only includes sales to customers in Maryland. This bill adversely affects businesses that have multi-state operations and sell tangible property by significantly increasing Maryland tax liability.

The passage of House Bill 229 would create uncertainty for Maryland businesses while adding significant complication to the corporate tax structure. The proposal would make Maryland a less attractive location for businesses and at a competitive disadvantage to competitor states without the “throwback” rule, including Virginia, Pennsylvania, and North Carolina.

Distribution centers are an example of an industry that would be harmed by the passage of this bill. In recent years, Maryland has seen a string of success in attracting distribution centers, an industry that brings investment and good paying jobs by taking advantage of Maryland’s central location in the Mid-Atlantic region. However, House Bill 229 discourages future distribution centers from considering Maryland as a location because of the increased cost of doing business here.

In response to this proposal and a myriad of tax-related legislation pending this session in the Maryland General Assembly, the GBC advocates for the creation of a comprehensive tax commission to study a fair, equitable, and modernized system of taxation. The GBC requests to be a formal member of any commission that may be created by the Maryland General Assembly. Based on need to examine Maryland’s tax structure and the urgency for reliable revenue streams that fully fund education reform and other policy priorities, it is the right time for the creation of comprehensive tax commission.

This bill is inconsistent with one of the key tenets in *Gaining the Competitive Edge: Keys to Economic Growth and Job Creation in Maryland*, a report published by the GBC that identifies eight core pillars for a competitive business environment and job growth:

**Tax structure that is fair and competitive.** Maryland’s tax policy must be perceived by business as being competitive and devoid of elements that unreasonably target specific businesses or business sectors.

This bill is also inconsistent with the GBC’s legislative priorities for 2021, specifically advocacy for policies to strengthen economic competitiveness and the facilitation and acceleration of economic recovery. The creation of a strong and competitive business climate is among the most important roles of government and this bill would significantly handicap Maryland’s economic competitiveness in the mid-Atlantic region. In the current climate of

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economic uncertainty and flux, Maryland's businesses need consistency and stability in their tax structures to be able to recover from this pandemic.

**For these reasons, the Greater Baltimore Committee urges an unfavorable report on House Bill 229.**

*The Greater Baltimore Committee (GBC) is a non-partisan, independent, regional business advocacy organization comprised of hundreds of businesses -- large, medium and small -- educational institutions, nonprofit organizations and foundations located in Anne Arundel, Baltimore, Carroll, Harford, and Howard counties as well as Baltimore City. The GBC is a 66-year-old, private-sector membership organization with a rich legacy of working with government to find solutions to problems that negatively affect our competitiveness and viability.*