MARYLAND
Chamber of Commerce

LEGISLATIVE POSITION:
Unfavorable
House Bill 1088
Effective Corporate Tax Rate - Transparency Act of 2020
House Ways & Means Committee

Thursday, January 28, 2021

Dear Chairwoman Kaiser and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 5,000 members and federated partners, and we work to develop and promote strong public policy that ensures sustained economic growth for Maryland businesses, employees and families.

House Bill 330 would require publicly-traded corporations or subsidiaries of publicly-traded corporations to disclose their effective corporate tax rate. In a statement made under oath, a corporate entity must provide an itemized explanation for the calculation of their tax rate. This statement must be submitted to the Comptroller, who is required to collect and report this information to Governor and General Assembly annually.

Misleading Information
The effective corporate tax rate is a simple figure that does not capture the complexities of a corporation's assets or structure. If the intent of lawmakers is to identify corporations who are not paying their fair share of taxes, their plan to do so is ill-conceived. The effective tax rate (income tax liability over book income) includes factors such as depreciation and net losses. A lower effective tax rate does not mean a corporation employed crafty accounting practices to minimize their tax bill. Thus, the effective tax rate is a superficial number that cannot be used to accurately assess the effectiveness of the State's corporate tax structure.

Administrative Burden
This added requirement will force businesses, as well as the Comptroller's Office, to divert time and resources to produce this mandated reporting which does not accurately portray a corporation's tax bill.

Unnecessary
Lawmakers already have access to a publicly-traded company's effective tax rate through the Comptroller's office.

Competitive Disadvantage
This burdensome law will discourage new investment and deter prospective companies from locating to the State. As a result, HB 330 will hurt Maryland's competitiveness and its ability to attract new business. This bill, if passed, would strongly signal to companies across the nation that Maryland has less-favorable business climate

While well-intentioned, this approach to evaluate the State's corporate tax structure will not produce useful insight into its effectiveness. A calculation of a corporation's effective corporate tax rate is effectively insignificant. It cannot be used to accurately measure the quality of our corporate tax structure.

For these reasons, the Maryland Chamber of Commerce respectfully requests an **Unfavorable Report** on House Bill 330.