

# Maryland PIRG

Maryland Public Interest Research Group

## **HB172 Corporate Income Tax – Combined Reporting and Subtraction Modification for Combined Groups of Corporations**

**Ways and Means Committee**

**January 28th, 2021**

**Position: Favorable**

*Maryland PIRG's mission is to deliver persistent, result-oriented public interest activism that protects consumers, encourages a fair, sustainable economy, and fosters responsive, democratic government. We are a Baltimore based, statewide, non-partisan, non-profit, citizen-funded public interest advocacy organization with thousands of members across the state.*

Many large multi-state corporations slash or eliminate the taxes they pay to Maryland by shifting profits made in our state onto the books of subsidiaries located in other states where business taxes are lower or nonexistent. This deprives Maryland of revenue needed for critical services like education and health care, or forces others in the state to pay higher taxes to make up the difference. Those engaging in this practice gain an unfair advantage over companies doing business solely in Maryland.

Establishing “combined reporting” for Maryland would require companies to report all the income made by all their subsidiaries, and then pay Maryland what’s legitimately owed -- based on their actual activity in the state. [More than half the states in the country](#) have adopted combined reporting, and it is time for Maryland to join them. [Our 2019 report released with U.S. PIRG Education Fund, the Institute on Taxation and Economic Policy \(ITEP\), SalesFactor.org and the American Sustainable Business Council \(ASBC\) details this policy.](#)

**Combined reporting is expected to raise at least \$120 million per year in Maryland. That’s how much the state currently loses to tax avoidance by big companies shifting profits to other states. The absence of these revenues strains our schools, roads, hospitals, and other areas crucial to our quality of life.**

Instituting Combined Reporting would help level the playing field for Maryland’s local businesses. Smaller, Maryland-based businesses don’t have the ability to engage in interstate income-shifting to avoid paying taxes here. Reforming the system would help local businesses compete, and make sure big multi-state firms pay for the services that help them do business in Maryland.

Maryland PIRG has been [calling for this reform for more than a decade](#). We respectfully request a favorable report.

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