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January 28, 2021

Testimony on House Bill 172
Corporate Income Tax – Combined Reporting and Subtraction Modification for Combined Groups of Corporations
House Ways and Means Committee

Position: Favorable

Maryland Nonprofits is a statewide association of more than 1100 nonprofit organizations and institutions. We strongly urge you to support House Bill 172.

House Bill 172 would close a loophole that allows large, multistate corporations to artificially lower their tax responsibility in Maryland. Allowing these special tax breaks makes it harder to invest in the pillars of Maryland's economy, such as health care and education. It also puts small, Maryland-based businesses at a disadvantage.

House Bill 172 would require corporations to include all parent and subsidiary companies operating in the United States when calculating their corporate income tax responsibility, a reform known as combined reporting. Combined reporting closes the door to a range of currently legal accounting tactics businesses use to avoid paying taxes to Maryland. For example, a company may establish a subsidiary in a state with a lower tax rate and shift its earnings there on paper by purchasing goods from the subsidiary at artificially high prices. Combined reporting essentially treats a parent company and its subsidiaries as one corporation for state income tax purposes.

Combined reporting helps put smaller corporations with no presence outside of Maryland on a more equal tax footing with larger companies that operate in many states. Main Street businesses—which are responsible for most of the job creation in Maryland—cannot afford to spend millions developing these complicated tax avoidance structures, but their large competitors can, and in doing so gain an unfair advantage. This bill would level the playing field for local business, protecting local jobs.

We urge you to give HB 172 a favorable report.

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