

**HOUSE BILL 172:
CORPORATE INCOME TAX- COMBINED REPORTING
HOUSE WAYS AND MEANS COMMITTEE**

STATEMENT OF OPPOSITION

January 28, 2020

Marriott International, Inc. is a global lodging leader headquartered in Bethesda, Maryland. Since its founding in the 1920s as a small restaurant chain in Washington, DC, the company has grown to comprise more than 7,000 lodging properties in 129 countries and territories, including 98 hotels in the State of Maryland.

Marriott opposes HB 172, as it would create a tax regime that is unpredictable, complex to administer and a potential deterrent to growth.

Tax liability resulting from combined reporting can be unpredictable from one year to the next, making financial forecasting more difficult for a multistate company like Marriott. While Marriott's income from operations in Maryland could be relatively steady from year to year, our Maryland income tax liability could vary dramatically under combined reporting depending on the performance of units in other states with variable travel markets and levels of profitability. This unpredictability can be uniquely problematic for a public company attempting to deliver consistent shareholder value. Further, as noted by numerous analysts, this unpredictability can translate more broadly to variable state corporate income tax revenues year over year.

A combined reporting regime adds administrative complexity when making the fact-specific determination of what constitutes a unitary group each year, and when calculating combined income separately instead of relying on federal combined income. This means additional time spent by companies preparing returns, and new responsibilities for auditors now tasked with examining the operations of a multistate taxpayer and its affiliates – instead of just accounting information and tax returns.

Last, as a matter of tax and economic policy, while it is often said that combined reporting “closes loopholes,” that is not the case -- it is simply a different tax calculation system. In the process of transitioning to such a system Maryland would invariably pick winners and losers. There are companies like Marriott with headquarters, deep roots and significant operations in Maryland that will be hurt by combined reporting. We ask that the General Assembly balance these impacts against perceived gains and consider other revenue proposals that might offer more stability and predictability. As written, this transition to combined reporting will hurt select Maryland-based companies just as much as companies based elsewhere.

Over the years, the state has convened a multitude of workgroups and commissions tasked with analyzing the merits of a combined reporting tax scheme. Each time the findings have fallen short of justifying such a transition here in Maryland. That remains the case in 2021, a year in which the economy is still struggling with the devastating effects of a prolonged global pandemic. For these reasons we urge an unfavorable report on HB 172.

Thank you for your consideration.

Contact:
Travis Cutler
Director, State Government Affairs