



**HB229 Corporate Income Tax – Throwback Rule  
HB330 Effective Corporate Tax Rate Transparency Act of 2021  
Ways and Means Committee  
January 28, 2021**

**Position:** Unfavorable

**Background:** HB229 and HB330 would alter Maryland’s corporate income tax structure and income tax return requirements.

**Comments:** MRA opposes HB229 and HB330 and efforts that seek to alter Maryland’s corporate income tax structure at this time.

HB229 would require businesses to pay additional income tax on goods sold outside of Maryland based on the corporate tax structure of other states, otherwise known as a “throwback rule”. Throwback rules discourage businesses from locating in throwback states and do not effectively measure taxable income for corporations. None of Maryland’s neighboring states have implemented a throwback rule, and the New Jersey General Assembly even repealed its throwback rule within a decade of implementing it, based on a study it commissioned that found that the throwback rule “does not more fairly measure a corporation’s business activities in a state”. Indiana also repealed its throwback rule with the express intent of promoting a more friendly business environment in the state.

HB330 would require businesses to include certain information about their effective tax rate when filing in Maryland, so that the State may evaluate its corporate tax rate and tax credits available to corporations. This legislation is unnecessary, as the Comptroller can evaluate the effectiveness of the Maryland corporate tax rate by reviewing the data that is currently required to be submitted by businesses. The information required by HB330 is largely already available to the Comptroller through the federal tax returns that corporations are required to include with their Maryland filings, and would not generate any revenue for the State.

HB229 and HB330 would create administrative burdens for businesses located in Maryland and would discourage businesses from locating here by establishing an unfair tax structure that captures business operations from outside of the state. Thank you for your consideration, and we urge an unfavorable report on these bills.