HB330_DelegateLorigCharkoudian.pdf

Uploaded by: Charkoudian, Lorig

Position: FAV

LORIG CHARKOUDIAN
Legislative District 20
Montgomery County

Economic Matters Committee

Subcommittees

Public Utilities

Workers' Compensation

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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

HB 330 - EFFECTIVE CORPORATE TAX RATE TRANSPARENCY ACT OF 2021

TESTIMONY OF DELEGATE LORIG CHARKOUDIAN

JANUARY 28, 2021

Chair Kaiser, Vice Chair Washington, and Members of the Ways and Means Committee

Many corporations in Maryland are not paying their fair share in income taxes. Maryland currently has a corporate income tax rate of 8.25%. However, few companies actually pay this rate and in some cases, pay none at all[1]. According to data collected by the Office of the Comptroller, in 2015 at least 51 of the 150 largest corporations in Maryland paid no corporate income taxes.[2]

Companies located or operating in Maryland are able to pay a lower rate by:

1. Taking advantage of various loopholes in Maryland's laws.
2. Taking advantage of various Maryland-specific tax incentives (like excessively generous apportionment rules and tax credits).
3. Taking advantage of federal tax breaks that flow into Maryland's tax code.

The State of Maryland currently has no mechanism that allows policymakers and the public to know the effective tax rates at which corporations are taxed. It is important that this data be calculated so that legislators can understand Maryland's actual corporate tax rates, the financial effects of tax credits on Maryland tax revenue, and how Maryland compares to other states in these metrics.

HB330 would compel corporations to calculate their effective tax rate by applying Maryland's apportionment formula to book income and not just taxable income, since taxable income is reduced in the ways listed above. Book income, according to generally accepted accounting principles (GAAP), represents the true income of a corporation. To find their effective tax rate, the corporation would simply divide the amount they pay in taxes in a given year by their book income.

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[1] "U.S. Corporations Pay a Far Lower Effective Tax Rate than the Statutory Rate Would Indicate-and a Recent CBO Study Doesn't Actually Contradict This," Economic Policy Institute, August 10, 2017, https://www.epi.org/blog/cbo-study-shows-that-u-s-corporations-pay-a-far-lower-effective-tax-rate-than-thestatutory-rate-would-indicate/.

[2] Maryland Comptroller, Letter to Sen. Paul Pinsky. Jan 22, 2018. https://drive.google.com/open?id=1W5QWzjuuGm6DWGmjAsurcnN4wLwSwQ9U

The Comptroller will then compile and send an annual report by March 1 to the Governor and the General Assembly that identifies the average effective tax rate for all publicly traded corporations required to file the statement, with a breakdown of the distribution of corporations by effective tax rate, average reported book income, category, its size in income, payroll, and gross receipts.

This legislation does not change the actual taxes paid. However, this legislation provides sorely needed transparency to state officials, corporations, and the general public regarding the status of Maryland's tax climate. It gives Maryland a means to compare its true corporate tax rates to those of other states. It helps expose costly loopholes and extraneous credits that reduce state revenues. Most important, it enables Maryland to better identify, navigate, and solve policy challenges and improve economic competitiveness.

I respectfully request a favorable report on HB330.

HB 330 - Effective Corporate Tax Rate Transparency
Uploaded by: Edwards, Donna
Position: FAV

MARYLAND STATE & D.C. AFL-CIO

AFFILIATED WITH NATIONAL AFL-CIO

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President
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Secretary-Treasurer
Gerald W. Jackson

HB 330 – Effective Corporate Tax Rate Transparency Act of 2021
House Ways and Means Committee
January 28, 2021

SUPPORT

Donna S. Edwards
President
Maryland State and DC AFL-CIO

Madam Chair and members of the Committee, thank you for the opportunity to provide testimony in support of HB 330 – Effective Corporate Tax Rate Transparency Act of 2021. My name is Donna S. Edwards, and I am the President of the Maryland State and DC AFL-CIO. On behalf of the 340,000 union members in the state of Maryland, I offer the following comments.

To craft effective corporate tax policy that will benefit Maryland, legislators and policy makers need accurate, pertinent, and timely information on the real-world implications of existing tax law. Under our current tax reporting system, which is relatively opaque, it can be difficult to determine where tax policy is effective in benefitting the needs of Marylanders, and where it can be improved.

HB 330 significantly changes the tax reporting of corporations to the Comptroller's office, to include actionable information for policy makers and taxpayers. The most important change is calculating the "Effective Corporate Tax Rate" of businesses by comparing their actual tax burden with the book income of the corporation. Additionally, publicly traded corporations will need to provide the exact methodology of calculating their effective tax rate, including credits, subtraction modifications, and net operating losses carried forward and backward. After that calculation is complete, they will then need to provide a comparison of the effective rate both before and after the application of the credits and deductions.

Annually, the Comptroller will release a report on publicly traded corporations, allowing policy makers and taxpayers to see which tax loopholes are being used and which deductions are being taken. Having this information will allow all of us to better determine how to craft tax policy going forward, that will help taxpayers, Maryland's communities, and workers and their families.

We urge a favorable report on HB 330.

ITEP HB 330 012821.pdf

Uploaded by: Gardner, Matthew

Position: FAV

Institute on Taxation and Economic Policy
1616 P Street, NW Washington, DC 20036
(202) 299-1066

WRITTEN TESTIMONY SUBMITTED TO THE MARYLAND HOUSE WAYS AND MEANS COMMITTEE REGARDING HOUSE BILL 330 JANUARY 28, 2021

Thank you for the opportunity to submit written testimony. My name is Matthew Gardner. I am a senior fellow at the Institute on Taxation and Economic Policy (ITEP), a nonprofit research group based in Washington, DC. ITEP's research focuses on state and federal tax policy issues, with an emphasis on fairness, sustainability and transparency.

My testimony today focuses on House Bill 330, which would require certain publicly traded corporations to make a confidential disclosure of basic information about their tax returns to the Comptroller. The testimony emphasizes that many of the most profitable American corporations are paying little or no state and federal income taxes, for reasons that are usually difficult to quantify; that policymakers need access to basic information about state-specific corporate tax payments to effectively evaluate and reform Maryland's tax system; and that HB 330 represents an important step toward achieving greater transparency in Maryland's tax system.

STATE (AND FEDERAL) CORPORATE TAX AVOIDANCE BY LARGE CORPORATIONS

It is now widely understood that, both at the state and federal level, America's largest and most profitable corporations are routinely paying effective corporate income tax rates far below the statutory tax rates that these companies should, in theory, be paying. A comprehensive 2017 ITEP study of the state income tax disclosures made by 240 publicly traded Fortune 500 corporations that were consistently profitable between 2008 and 2015 found that:

- While the nationwide weighted-average state corporate tax rate was about 6.25 percent, these companies collectively paid state income taxes equal to less than 2.9 percent of their U.S. pretax income, nationwide.
- This finding implies that profitable Fortune 500 corporations are, as a group, sheltering more than half of their U.S. income from state corporate income tax.
- Ninety two of these 240 companies were able to reduce their nationwide state income taxes to zero in at least one profitable year during this 8-year period, despite telling their shareholders they made $348 billion in U.S. pretax income during those no-tax years.
- By paying less than the statutory state income tax rates in effect during this period, these companies collectively reduced state tax collections by $126 billion over the 8 year period.

ITEP's work has found a similar pattern of corporate tax avoidance at the federal level. A companion study found that in the same eight year period studied in our state report, profitable Fortune 500 corporations paid just over 21 percent of their U.S. income in federal incomes taxes, at a time when the statutory tax rate was 35 percent. More recently, ITEP has found that in the first year under the 21 percent federal income tax rate enacted by Congress in 2017, profitable companies paid an effective federal income tax rate of just 11.3 percent, little more than half the 21 percent legal tax rate. This finding strongly suggests that the federal tax breaks companies were using before the passage of the 2017 tax law remain very much available to companies under the new tax rules.

Current Tax Disclosures are Inadequate to Diagnose Tax Avoidance and Evaluate Tax Incentives

All of the information used by ITEP in compiling these tax avoidance estimates was taken directly from the annual financial reports these companies are required to file each year with the Securities and Exchange Commission (SEC). But the SEC's disclosure requirements on income taxes are all national in scope: companies aren't required to disclose income or taxes related to specific states, nor are they required to disclose the value (or even the existence) of tax breaks these companies claimed from specific states. This means that the bleak picture of rampant tax avoidance sketched out by ITEP's report, while raising important questions about the taxpaying behavior of companies in each state, leaves entirely unanswered the question of whether any or all of these companies are actually paying state income taxes in any specific state. In particular, when a Maryland-headquartered corporation reports, in its financial statements, paying no state income tax nationwide on $100 million of U.S. income, Maryland lawmakers simply can't know what that means about that company's taxpaying behavior—or taxable income—in Maryland.

This is especially problematic because when lawmakers enact corporate tax breaks, they almost always do so as a means of achieving a social policy goal, such as research and development, job creation or capital investment. When lawmakers don't know which companies are claiming job creation tax breaks, they can't evaluate whether these tax provisions are having the desired effect.

House Bill 330 Would Give Maryland Policymakers an Important Tool for Evaluating the Tax System

House Bill 330 is designed to provide the Maryland-specific information on companies' income and tax profile that state policymakers currently lack. The bill would require certain publicly traded corporations to provide the Comptroller's office with information on the corporation's "effective tax rate," defined as its Maryland income tax liability as a share of its Maryland book income. The bill would also require companies to disclose the value of major factors affecting the company's effective tax rate, including legal deductions, credits and other adjustments to taxable income or tax liability.

The legislation would also require the Comptroller's office to annually submit a report to the Governor including aggregate data summarizing the effective tax rates paid by the companies disclosing this information. The Comptroller's report is required to provide separate estimates for different industries, and for companies of different sizes. The Comptroller's report would also identify the tax provisions that appear to be responsible for differences between effective tax rates and the statutory rate.

HB 330’s disclosure requirements would give state policymakers an important analytical tool for understanding how the state’s legal corporate tax breaks are affecting specific industries and specific companies. This information would help lawmakers to evaluate whether the revenue Maryland is forgoing by providing various tax breaks is money well spent.

Corporate Disclosure Would not Impose Administrative Burdens

All multi-state companies, including the publicly traded companies that would be affected by HB 330 and the privately owned companies that would not, already must apportion their taxable income between each of the states (and foreign jurisdictions) in which they do business. The data reporting required by HB 330 includes only information that these companies are already calculating in the regular course of filing state income tax returns. This means that the disclosure provisions in HB 330 cannot be said to impose a meaningful administrative burden on these companies.

Conclusion

Maryland’s corporate income tax plays an important role in raising needed tax revenues in an equitable and sustainable way. If the biggest corporations are finding ways—whether clearly legal, or less so—to avoid paying any tax to the state of Maryland, state lawmakers should have the tools they need to know when this is happening, and why it is happening. House Bill 330’s disclosure provisions would represent an important step toward this goal.

Thank you for the opportunity to submit this testimony.

HB330_FAV_Mazerov.pdf
Uploaded by: Mazerov, Michael
Position: FAV

Center on Budget and Policy Priorities

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Testimony of
Michael Mazerov, Senior Fellow, Center on Budget and Policy Priorities

Before the
Maryland House of Delegates Ways and Means Committee

Hearing on H.B. 330, Effective Corporate Tax Rate Transparency Act of 2021
January 28, 2021

Chair Kaiser and Members of the Ways and Means Committee, I'm Michael Mazerov, a Senior Fellow with the State Fiscal Policy division of the Center on Budget and Policy Priorities in Washington, D.C. The Center is a non-partisan research and policy institute that pursues federal and state policies designed to reduce poverty and inequality and to restore fiscal responsibility in equitable and effective ways. We apply our expertise in budget and tax issues and in programs and policies that help low-income people to help inform debates and achieve better policy outcomes. I appreciate the opportunity to submit testimony in support of H.B. 330. Delegate Charkoudian's bill would require publicly traded corporations and their subsidiaries taxable in Maryland to calculate and report to the Comptroller their effective state corporate income tax rates. The Comptroller would then issue an annual study reporting these results and explaining them on an aggregate, anonymized basis.

Although I believe all states with corporate income taxes should require publicly traded corporations to report their bottom-line tax liability and certain other line-items from their tax returns on a non-anonymized basis,[1] this bill is a positive step toward giving policymakers and the public a better picture than is currently available of how well Maryland's corporate tax structure is working to ensure all corporations pay their fair share of income tax. As this committee has heard in taking testimony on several corporate tax reform bills this session and in prior sessions, Maryland has a very weak corporate tax structure in comparison to many other states; among other flaws, it does not mandate combined reporting, does not contain a throwback rule, imposes no form of corporate minimum tax, treats all income as apportionable, and next year will allow all corporations to apportion their income using a single sales factor formula. Although, to its credit, the Comptroller's office publishes a considerable amount of information extracted from state corporate tax returns,[2] these data are lacking in certain respects. For example, they do not identify several significant tax breaks that are brought into the Maryland tax code because of its conformity to the federal code,

[1] See: Michael Mazerov, "State Corporate Tax Disclosure: The Next Step in Corporate Tax Reform," February 14, 2007, https://www.cbpp.org/research/state-corporate-tax-disclosure-the-next-step-in-corporate-tax-reform.

[2] See the annual reports available at https://www.marylandtaxes.gov/reports/corporate-income-reports.php.

and they do not contain critical information on the share of profits of multistate corporations that are taxable in Maryland. Requiring a calculation of the effective corporate tax rate using book income, as the bill proposes, would address this first shortcoming of the Comptroller's current publication, and an amendment to be offered to the bill will address the second one.

More importantly, there will be great benefit in tasking the Comptroller's office with ensuring the accuracy of corporations' effective tax rate calculations and issuing its own analysis of the factors explaining these data. Outside analysts do not have access to the relevant book income information at all, since publicly traded corporations file consolidated returns but Maryland requires individual members of a consolidated group to file separate returns. And while we could use the data currently published by the Comptroller to develop estimates and analyses of average effective tax rates based on federal taxable income, these would almost inevitably be subject to debate and dispute. The Comptroller's own analyses mandated by the bill are likely be viewed as more authoritative.

The bill will be greatly improved by two amendments I understand that Delegate Charkoudian intends to offer. The effective tax rate is actual tax liability divided by a measure of profit earned in Maryland. Under the bill as introduced, the latter is determined using the existing statutory apportionment rules. However, the current rules were not intended to be an accurate measure of profit attributable to Maryland; they were very deliberately enacted in recent years to provide an economic development incentive. Accordingly, the first recommended amendment would substitute a normative apportionment formula for what is currently in the bill, which would be the property/payroll/receipts formula in the current version of Article IV of the Multistate Tax Compact (including recent recommended changes like sourcing of receipts to the states in which customers are located and double weighting of the receipts factor). That change would help identify the impact of the state's new apportionment formula on effective corporate tax rates, which should be carefully studied going forward to determine if the purported economic development benefits justify the forgone revenue.[3]

The second amendment would modify the requirement that corporations explain the impact on their effective tax rates of the book value of credits, deductions, and other line-items on their tax returns by dropping the reference to "book" value. Corporations' actual tax liability, the numerator of the effective tax rate calculation, is determined by the tax return value of these items, not the book value. For example, one of the major reasons corporate effective tax rates might be quite low is that they are allowed to report much larger depreciation deductions for tax purposes than they report on their financial statements. It is precisely the impact of such divergence on effective tax rates that the bill seeks to elucidate.

Again, I thank the Committee for the opportunity to submit written testimony on H.B. 330. I recommend a favorable report on the bill with the amendments that are to be offered. I may be reached at mazerov@cbpp.org if Committee members have any questions.

[3] There are good reasons to doubt the effectiveness of single sales factor apportionment as a job creation incentive. See: Michael Mazerov, "Case for "Single Sales Factor" Tax Cut Now Much Weaker," April 1, 2015, https://www.cbpp.org/blog/case-for-single-sales-factor-tax-cut-now-much-weaker.

TESTIMONY FOR HB0330 Effective Corporate Tax Rate
Uploaded by: Plante, Cecilia
Position: FAV

MARYLAND
LEGISLATIVE
COALITION

TESTIMONY FOR HB0330
EFFECTIVE CORPORATE TAX RATE TRANSPARENCY ACT OF 2021

Bill Sponsor: Delegate Charkoudian
Committee: Ways and Means
Organization Submitting: Maryland Legislative Coalition
Person Submitting: Cecilia Plante, co-chair
Position: FAVORABLE

I am submitting this testimony in favor of HB0330 on behalf of the Maryland Legislative Coalition. The Maryland Legislative Coalition is an association of activists - individuals and grassroots groups in every district in the state. We are unpaid citizen lobbyists and our Coalition supports well over 30,000 members.

Our members understand that in order to incentivize corporations to locate in Maryland, certain tax concessions are often necessary. Once a business locates in Maryland, though, we really don't know what their effective tax rate is. This means that we can't compare one corporation to any other one and know how to negotiate with new corporations coming into the state.

This is an important piece of information that we believe is necessary if we are to understand what corporate entities in the state are actually paying.

We support this bill and recommend a **FAVORABLE** report in committee.

HB 330_MDCEP_FAV.pdf
Uploaded by: Schumitz, Kali
Position: FAV

MDCEP
MARYLAND CENTER ON ECONOMIC POLICY

JANUARY 28, 2021

Increased Corporate Tax Transparency would Discourage Tax Avoidance Schemes

Position Statement in Support of House Bill 330

Given before the House Ways and Means Committee

Maryland policymakers can't make good decisions about the future of our state without good information. The Maryland Center on Economic Policy supports House Bill 330 because it would provide more information about the actual tax rate corporations are paying in Maryland and help ensure that state policies are asking corporations pay their fair share in taxes.

Maryland's current statutory tax rate for corporations is 8.25 percent. However, the reality is that most large, multi-state corporations actually pay a far lower effective tax rate – the percentage of their total income they are paying in taxes.[i] This is due to the special tax breaks and loopholes inserted into our tax system by special interest groups. Multistate and multinational corporations operating within Maryland can use tax-avoidance strategies to limit their tax responsibility in Maryland. This comes at the cost of public investments like transportation, education, and healthcare.

There are a number of loopholes and strategies in Maryland's tax system that corporations use to avoid paying taxes. Due to provisions in the federal Tax Cuts and Jobs Act, for example, multinational corporations don't pay domestic corporate taxes on their foreign profits.[ii] There are also a large number of tax credits that Maryland businesses are able to take advantage of. Additionally, if corporations suffer a financial loss in a certain year, they are able to offset taxes for that year.[iii] Maryland does not require combined reporting for large corporations and their subsidiaries, as 28 other states do, which would close one of the loopholes that allows large, multistate corporations to reduce their profits on paper. Tax loopholes like these serve as a way for corporations to avoid responsibility for the investments that allow Maryland to thrive.

House Bill 330 will provide legislators with more accurate information to base future decisions on. Right now we know that about one-third of the largest corporations in Maryland pay no taxes in a given year, but policymakers can't assess trends or assess the cause. By requiring corporations to file a statement identifying the corporation's effective tax rate, House Bill 330 will allow policymakers and the general public to better assess state tax policies and make more informed decisions. It could allow policymakers to close the loopholes in the system that have eroded the corporate income tax base, and ensure that the corporate sector is paying its appropriate share of taxes.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Ways and Means Committee make a favorable report on House Bill 330.

Equity Impact Analysis: House Bill 330

Bill summary

House Bill 330 requires publicly traded corporations to file a statement identifying the corporation's effective tax rate and an explanation of the calculation of the effective tax rate.

Background

There are a number of loopholes in Maryland's tax system that corporations use to avoid paying taxes and a large number of tax credits that Maryland businesses are able to take advantage of. Maryland does not require combined reporting for large corporations and their subsidiaries as most states do, allowing for one of many loopholes. Additionally, if corporations suffer a financial loss in a certain year, they are able to offset their tax burdens for that year. About one-third of the largest corporations in Maryland pay no taxes in a given year. As a result of these strategies and loopholes, most large, multi-state corporations actually pay an effective tax rate that is far lower than Maryland's current statutory tax rate for corporations.

Equity Implications

House Bill 330 would allow policymakers and the general public to better assess state tax policies and make more informed decisions. This information could be used to help close the loopholes and ensure that the corporate sector is paying its appropriate share of taxes.

Ensuring that corporations pay their taxes would generate revenue that could be invested into essential services including education, health care, and transportation. These services are especially vital for Marylanders who continue to suffer from the discriminatory policy that remains today. Investing in these basic services strengthens our economy and can dismantle the economic barriers that too often hold back Marylanders of color.

Impact

House Bill 330 would likely **improve racial and economic equity** in Maryland.

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[i] "U.S. corporations pay a far lower effective tax rate than the statutory rate would indicate" *Economic Policy Institute*, 2017 https://www.epi.org/blog/cbo-study-shows-that-u-s-corporations-pay-a-far-lower-effective-tax-rate-than-the-statutory-rate-would-indicate/

[ii] "Territorial Tax Is a Zero Rate on U.S. Multinationals' Foreign Profits, Threatens U.S. Revenues and Wages" *Center on Budget and Policy Priorities,* 2017 https://www.cbpp.org/research/federal-tax/territorial-tax-is-a-zero-rate-on-us-multinationals-foreign-profits-threatens

[iii] Peter Franchot, "A Guide to Maryland Business Tax Credits" Comptroller of Maryland, 2013 http://www.perryvillemd.org/sites/perryvillemd/files/file/file/2013_tax_credit_guide.pdf

012621 COST Testimony in Opposition to H 330 (Stat

Uploaded by: Do, Stephanie

Position: UNF

Stephanie T. Do
Senior Tax Counsel
(202) 484-5218
sdo@cost.org

January 26, 2021

Maryland General Assembly
House Ways and Means Committee

Re: In Opposition to House Bill 330, State Effective Tax Rate

Dear Chair Kaiser, Vice Chair Washington, and Members of the Committee:

Thank you for the opportunity to provide testimony on behalf of the Council On State Taxation (COST) in opposition to House Bill 330 (H.B. 330), which would require annual reporting of a company's state "effective tax rate." This new requirement would create an unnecessary administrative burden and produce misleading results while providing no new revenue or useful information for the State.

About COST

COST is a nonprofit trade association based in Washington, DC. COST was formed in 1969 as an advisory committee to the Council of State Chambers of Commerce and today has an independent membership of over 500 major corporations engaged in interstate and international business. COST's objective is to preserve and promote the equitable and nondiscriminatory state and local taxation of multijurisdictional business entities. Many COST members have operations in Maryland that would be negatively impacted by this legislation.

Administrative Burden with No New Revenue or Useful Information

H.B. 330 would require annual reporting of the "effective tax rate" (Maryland income tax liability over Maryland book income) for each corporate taxpayer that is a publicly traded corporation or a subsidiary of a publicly traded corporation. This would be a new requirement unique to Maryland and would create a new administrative burden for both companies and the Comptroller without producing any revenue or useful information for Maryland policymakers. Specifically, the bill defines "effective tax rate as the quotient of a corporation's Maryland tax liability and its separate-company book income apportioned to Maryland. The information currently required to be submitted with a corporate taxpayer's return contains information sufficient to calculate the effective tax rate proposed by the legislation.

Comparing state tax liability with book income, however, provides no useful information. Book income is calculated in accordance with Generally Accepted Accounting Principles (GAAP) and taxable income represents policy choices made by federal and state lawmakers to depart from book income. Some of the differences between book and tax income numbers represent temporary timing differences (depreciation, prepaid expenses, etc.) while others represent permanent accounting differences (tax-exempt interest, meals & entertainment, political contributions, etc.). This new calculation would produce misleading results, as it fails to recognize all legitimate temporary and permanent accounting differences that make up the difference between book and tax income that can vary from taxpayer to taxpayer. Further, these misleading results are exacerbated when only certain taxpayers carry forward net operating loss deductions from prior years in accordance with Maryland law, creating stark differences in Maryland effective tax rates between otherwise similarly situated taxpayers.

Though the goal of H.B. 330 is unclear, if it is to generate tools to judge the effectiveness of Maryland's corporate income tax, one should compare the Maryland tax liability to Maryland taxable income. That information can be found on the Maryland corporate income tax return itself, which every taxpayer already files with the Comptroller.

Conclusion

For the reasons set forth above, COST encourages you to vote against H.B. 330.

Respectfully,

Stephanie T. Do

cc: COST Board of Directors
Douglas L. Lindholm, COST President & Executive Director

MBIA Testimony HB 330.pdf
Uploaded by: Graf, Lori
Position: UNF

MARYLAND BUILDING INDUSTRY ASSOCIATION
11825 West Market Place | Fulton, MD 20759 | 301-776-6242

January 28, 2020

The Honorable Anne R. Kaiser
Ways & Means Committee
House Office Building, Room 131,
6 Bladen St., Annapolis, MD, 21401

RE: Opposition to HB 330 (Effective Corporate Tax Rate Transparency Act of 2021).

Dear Chairwoman Kaiser:

The Maryland Building Industry Association, representing 1,100 member firms statewide, appreciates the opportunity to participate in the discussion surrounding **HB 330 Effective Corporate Tax Rate Transparency Act of 2021**. MBIA Opposes the Act in its current version.

This bill would require that corporations submit along with their income taxes a itemized explanation of their effective tax rate and the effects of individual tax deductions and credit on that tax rate. This bill would place the burden of doing economic research on individual companies. The accounting and financial analysis would be an additional imposed cost on publicly traded companies that is unwarranted. If the state wishes to gather information about the effects of its tax policies then it should be willing to bear the burden of the costs of gathering and synthesizing that information. This bill will put Maryland at a competitive disadvantage to other jurisdictions.

For these reasons, MBIA respectfully requests the Committee give this measure an unfavorable report. Thank you for your consideration.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: Members of the House Ways & Means Committee

HB 330_Effective Corporate Tax Rate Transparency A
Uploaded by: Griffin, Andrew
Position: UNF

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.

HB229_HB330_unfavorable_MRA.pdf
Uploaded by: Price, Sarah
Position: UNF

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.

HB330 - MoCo Chamber - Effective Corporate Tax Rat

Uploaded by: Swanson, Tricia

Position: UNF

To Lead, Advocate and Connect as the Voice of Business

House Bill 330 – Effective Corporate Tax Rate Transparency Act of 2021

Ways and Means Committee

January 28, 2021

OPPOSE

The Montgomery County Chamber of Commerce ("MCCC"), as the voice of Montgomery County business, opposes House Bill 330.

House Bill 330 requires a publicly traded corporation required to file a Maryland corporate income tax return to include a confidential statement that identifies the corporation's effective tax rate. The statement must provide an itemized explanation of how the effective tax rate was calculated and a comparison of the effective tax rate of the corporation both before and after the application of any credits, deductions, subtraction modifications, or other adjustments. The Comptroller must collect this information and report specified information to the Governor and the General Assembly by March 1 each year.

While we appreciate the intent for transparency and clarity, collecting and including this information would be an onerous task for a company. Publicly traded companies already have a lot of reporting requirements; adding another is a lot of work. Given that these companies are already so highly regulated and audited, requiring this information is not only redundant and overly burdensome, but contributes to an increasing anti-business message from the State of Maryland.

The effective corporate tax rate is a simple figure that does not capture the complexities of a corporation's assets or structure. For the aforementioned reasons, **we request an unfavorable report on House Bill 330.**

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