



LEGISLATIVE POSITION:

Favorable

Senate Bill 596

Corporate Income Tax – Single Sales Factor Apportionment – Deferred Tax Relief

Senate Budget and Taxation Committee

Wednesday, February 23, 2022

Dear Chairman Guzzone 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 5,500 members and federated partners working to develop and promote strong public policy that ensures sustained economic recovery and growth for Maryland businesses, employees, and families.

SB 596 provides taxpayer relief for adverse financial reporting impacts resulting from the transition to single sales factor apportionment. Tax law changes such as this can have immediate and negative impacts on a taxpayers' financial reporting by creating new financial statement expenses and changing a company's tax liability. The modest deduction provided in SB 596 can help mitigate these negative impacts.

Any significant change in tax laws (such as the adoption of single sales factor apportionment), will require companies to re-calculate the value of tax assets or liabilities they had previously recorded. This recalculation requires a company to record additional tax expenses under the relevant financial accounting rules. Recognizing these expenses may result in an immediate adjustment of the company's stock price and value.

SB 596 provides these taxpayers with a deduction that is spaced out over ten years to help mitigate any negative effects that resulted in the adoption of single sales factor apportionment. This bill is a great example of Government being proactive and supportive of Maryland's many employers by ensuring that business owners do not suffer from both increased tax payments and a reduction in market value.

With these comments in mind, the Maryland Chamber of Commerce respectfully requests a **favorable report** on **SB 596**.