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OPPOSE – Senate Bill 0360
SB0360 – Corporate Tax Fairness Act – Combined Reporting
Budget and Taxation Committee
Wednesday, February 9, 2022

Potomac Edison **opposes Senate Bill 360 – Corporate Tax Fairness Act – Combined Reporting.** SB 360 requires that sales of tangible personal property be included in the numerator of the sales factor used for apportioning a corporation's income to the State; and requires that certain corporations compute Maryland taxable income using a combined reporting method.

Unfavorable

Potomac Edison, a subsidiary of FirstEnergy Corp., serves approximately 275,000 customers in all or parts of seven Maryland counties (Allegany, Carroll, Frederick, Garrett, Howard, Montgomery, and Washington Counties). FirstEnergy is dedicated to safety, reliability, and operational excellence. Its ten electric distribution companies form one of the nation's largest investor-owned electric systems, serving customers in Ohio, Pennsylvania, New Jersey, West Virginia, and Maryland and is highly regulated in each of these states in which we serve customers. This regulation over companies that distribute electricity imposes strict accounting and is one key reason states like New Jersey have exempted regulated utilities from their unitary taxation statutes. The type of taxation contemplated in SB 360 would overburden utility electric customers, along with the Public Service Commissions in each state.

FirstEnergy requests an Unfavorable report on SB 360 for the following reasons.

Senate Bill 360, although vague and lacking necessary detail for implementation, proposes a dramatic change to Maryland's system of taxing businesses. Specifically, SB 360 would replace the current individual or separate entity filing method with a unitary combined reporting method ("combined reporting"). Combined reporting has been exhaustively researched and debated among policymakers in Maryland. They concluded that combined reporting is not an appropriate or accurate method of computing state taxable income or attributing multistate business income to economic activity in Maryland.

Combined reporting would competitively disadvantage Maryland. Within the region, neighboring states - including Virginia, Pennsylvania, and Delaware - do not utilize the mandatory combined reporting method. Maryland's economic development efforts would be thwarted by the adoption of a new taxation system that would harm the attraction and retention of businesses and the jobs and economic opportunities these businesses provide.

For the above reasons, and in order to avoid the negative consequences of utilizing the mandatory combined reporting method, Potomac Edison respectfully request an **Unfavorable** vote on Senate Bill 360.