



Peter Franchot
Comptroller

Letter of Information – Senate Bill 360 – Corporate Tax Fairness Act of 2022

Budget and Tax Committee

February 9, 2022

(These comments also apply to HB457, Corporate Income Tax – Throwback Rule and Combined Reporting.)

- COMPASS impact – As you know, the Comptroller’s Office is already engaged in a \$100M+ transformation of its tax processing infrastructure, called COMPASS.
 - Prioritizing corporate tax changes would push back the implementation schedule for other tax types due to COM SME resource constraints.
 - Affected tax types include:
 - R2 - withholding, SUT, A & A, Motor Fuel, Tobacco
 - R3 - Individual, PTE, Estate, Fiduciary, Unclaimed Property, IFTA
- As indicated in the Fiscal Note response, cost of implementation is likely on par with implementing new tax type (approx. \$2M) and the cost of delaying implementation for other tax types (noted above) will have a multiplier effect on the cost.
- Corporate Audit (part of Compliance Division) employees would need to be trained on auditing on a combined reporting basis, requiring complete revision of corporate audit’s policies and procedures. Further, combined reports are more complex than separate reports, and auditing procedure will reflect that complexity.
 - Training on new auditing procedures would shift priorities away from current auditing priorities, particularly if combined reporting is to be effective for the tax year beginning after December 31, 2022.
- **A 2-year delay in implementation (to TY beginning after December 31, 2024) is suggested.**
 - Even with that delay, prioritizing this work to meet the legislative deadline will cause delay of implementation of other tax types as noted above.
- Forms impact – corporate forms would need to be modified significantly, requiring research and review that would extend far beyond the May deadline for forms updates. This would require significant redesign of the architecture of corporate income tax processing in the Comptroller’s new processing system, RPE.
- As always, the Comptroller’s Office is willing and available to discuss these concerns or any questions you may have at your convenience. Please contact Justin Hayes, Legislative Director at jhayes@marylandtaxes.gov or 410-260-7696.

###