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MARYLAND ASPHALT ASSOCIATION



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February 23, 2022

Senator Guy Guzzone, Chair
Senate Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

RE: SB 596 – UNFAVORABLE – Corporate Income Tax – Single Sales Factor Apportionment – Deferred Tax Relief

Dear Chair Guzzone and Members of the Senate Budget and Taxation Committee:

The Maryland Asphalt Association (MAA) is comprised of 18 producer members representing more than 47 production facilities, 24 contractor members, 24 consulting engineer firms and 41 other associate members. We proactively work with regulatory agencies to represent the interests of the asphalt industry both in the writing and interpretation of state and federal regulations that may affect our members. We also advocate for adequate state and federal funding for Maryland's multimodal transportation system.

Senate Bill 596 creates a subtraction modification against the corporate income tax for publicly traded corporations that saw an increase to their net deferred tax liability, a decrease to their net deferred tax asset, or a change from a net deferred tax asset to a liability as a result of the enactment of Chapters 341 and 342 of 2018, which required those corporations to apportion their income using a single sales factor formula. This subtraction—equal to one-tenth of the amount of that change—may be used to reduce their state modified income for ten consecutive years, beginning with the first qualifying year after 2031.

While Senate Bill 596's goal of providing tax relief to the corporations negatively impacted by the switch to the single sales factor rule is laudable, MAA has concerns about the impact this will have on the Transportation Trust Fund (TTF). Under current law, a portion of the corporate income tax is distributed to the TTF to help fund, among other items, state highway projects and transportation grants to local jurisdictions; thus, if this bill decreases a corporation's income tax liability, overall revenues to the TTF would decrease accordingly. MAA's position centers around the concern that Senate Bill 596 would result in less money available to fund critical repairs to the roads and bridges that form the backbone of Maryland's transportation infrastructure.

We appreciate you taking the time to address this important issue, and we urge an unfavorable report on Senate Bill 596.

Thank you,

A handwritten signature in brown ink that reads "Marshall Klinefelter". The signature is written in a cursive, flowing style.

Marshall Klinefelter
President
Maryland Asphalt Association