



Christopher Carroll
Regional Director
AT&T External Affairs

AT&T, Inc.
1120 20th St NW, 1000
Washington, DC 20036

202-227-5346
christopher.a.carroll@att.com

February 23, 2022

Senator Guy Guzzone, Chair
Senator Jim Rosapepe, Vice Chair
Senate Budget and Taxation Committee
Maryland General Assembly

Re: In Support of S.B. 596, Relief for Detrimental Financial Statement Effects of Single Sales Factor

Dear Chair Guzzone, Vice Chair Rosapepe, and Members of the Budget and Taxation Committee:

AT&T appreciates the opportunity to provide testimony in support of Senate Bill 596 (S.B. 596), a measure to provide relief to companies that have experienced an unintended negative financial statement impact related to the permanent change to single sales factor apportionment (SSF) rules for computing corporate income taxes in 2018.

The negative impact was the result of how a publicly traded company must record timing differences between Generally Accepted Accounting Principles (GAAP) financial statement rules and a state's tax rules. These timing differences are represented in a company's balance sheet as deferred tax assets and tax liabilities and are recorded at the state's tax position and rules that were in place at the given time. In the event of a permanent tax regime change such as the adoption of the SSF rule in 2018, companies were required to review and recompute their deferred tax assets and tax liabilities under the new taxing regime. This financial statement change was then required to be reported as a one-time book adjustment in the quarter in which the legislation was enacted. This type of adjustment has the potential to also impact a company's stock price and value.

S.B. 596 will serve to mitigate the unintended negative financial statement impact described above by allowing a deduction for the 2018 impact, to be claimed at a future date and spread equally over a ten-year specified period as determined to be reasonable by the legislature.

AT&T believes that enactment of S.B. 596 represents a sound tax policy that has been adopted in a number of other states and represents a sound policy for Maryland businesses that great jobs and investments in the state.

Respectfully,

Regional Director
AT&T External Affairs