

PAUL G. PINSKY
Legislative District 22
Prince George's County

Chair
Education, Health, and
Environmental Affairs Committee



Miller Senate Office Building
11 Bladen Street, Suite 2 West
Annapolis, Maryland 21401
301-858-3155 • 410-841-3155
800-492-7122 Ext. 3155
Fax 301-858-3144 • 410-841-3144
Paul.Pinsky@senate.state.md.us

The Senate of Maryland

ANNAPOLIS, MARYLAND 21401

Corporate Tax Fairness Act of 2022

SB 360

Senate Budget and Taxation Committee

February 9, 2022

Combined Reporting States

State	Legislature Party	Governor's Party	Year Adopted
California	Democratic	Democratic	Before 2004
Colorado	Democratic	Democratic	Before 2004
Connecticut	Democratic	Democratic	2015
District of Columbia	Democratic	Democratic	2011
Hawaii	Democratic	Democratic	Before 2004
Illinois	Democratic	Democratic	Before 2004
Maine	Democratic	Democratic	Before 2004
Massachusetts	Democratic	Republican	2009
New Jersey	Democratic	Democratic	2018
New Mexico	Democratic	Democratic	2020
New York	Democratic	Democratic	2007
Oregon	Democratic	Democratic	2013
Rhode Island	Democratic	Democratic	2014
Vermont	Democratic	Republican	2004
Alaska	Republican	Republican	Before 2004
Arizona	Republican	Republican	Before 2004
Idaho	Republican	Republican	Before 2004
Kansas	Republican	Democratic	Before 2004
Kentucky	Republican	Democratic	2018
Michigan	Republican	Democratic	2009
Montana	Republican	Republican	Before 2004
New Hampshire	Democratic	Republican	Before 2004
North Dakota	Republican	Republican	Before 2004
Ohio#	Republican	Republican	2005
Texas*	Republican	Republican	2008
Utah	Republican	Republican	Before 2004
Virginia	Split	Republican	2021
West Virginia	Republican	Republican	2007
Wisconsin	Republican	Democratic	2009
Nebraska	Non-partisan	Republican	Before 2004
Minnesota	Split	Democratic	Before 2004

SB 360 – Corporate Tax Fairness Act of 2022

Senate Bill 360 – Combined reporting requires companies in Maryland, doing business in more than one state, to **report the income and expenses of all related subsidiaries – regardless of where they are located**. Combined reporting requirements are currently in effect in 30 states* and Washington, D.C.

*Texas uses a franchise tax. # Ohio uses a Gross Receipts Tax.

States utilizing combined reporting tax the percentage of an *out-of-state* corporation's profits that can be legitimately attributed to a firm's *in-state* subsidiaries.

If Maryland had required combined reporting in Tax Years 2012 – 2022, average additional tax revenue per year would have been \$100,213,758.

Combined reporting removes an unfair advantage that large companies have over smaller companies.

Tax Years 2012-2026 Estimated Impact of Combined Reporting

Tax Year	Total
2012	\$107,500,000 (SB354 of 2010 fiscal note)
2013	\$153,600,000 (SB305 of 2011 fiscal note)
2014	\$152,900,000 (SB269 of 2012 fiscal note)
2015	\$62,612,400 (SB469 of 2013 fiscal note)
2016	\$66,793,965 (SB395 of 2014 fiscal note)
2017	\$75,000,000 (SB179 of 2015 fiscal note)
2018	\$77,900,000 (SB432 of 2016 fiscal note)
2019	\$80,400,000 (SB357 of 2017 fiscal note)
2020	\$80,400,000 (SB195 of 2018 fiscal note)
2021	\$90,000,000 (SB377 of 2019 fiscal note)
2022	\$35,100,000 (SB511 of 2021 fiscal note)
2023	\$124,700,000 (SB511 of 2021 fiscal note)
2024	\$135,900,000 (SB511 of 2021 fiscal note)
2025	\$128,400,000 (SB511 of 2021 fiscal note)
2026	\$132,000,000 (SB511 of 2021 fiscal note)

*Coincides with nation's worst recession in over 75 years



Peter Franchot
Comptroller

David Farkas
Acting Director
Bureau of Revenue Estimates

January 20, 2022

Senator Paul G. Pinsky
James Senate Office Building, Room 220
11 Bladen Street
Annapolis, MD 21401

Dear Senator Pinsky:

This letter is in response to your request regarding the amount of corporate income taxes paid by the largest corporations in the State. The attached tables provide a variety of information about corporate income taxes paid by the 150 largest corporations in the State in 2018 and 2019 as measured by income tax withholding, including how many did not pay income tax. As you know, there are several legal reasons a corporation may pay no income tax in any given year: having no profits in that tax year, using carry-forward or carry-back losses to reduce income, and using income tax credits to reduce liability.

Entities identified as non-profits are excluded from consideration. The first set of tables shows tax year 2018 and 2019 statistics for the top 150 corporations, ranked by largest withholding accounts. These tables may not paint the full picture of which corporations pay tax, as there are many businesses with one dozen or more separate accounts in our system, some or all of which could be paying corporate income tax. These separate entities could be set up for management, insurance, finance or other purposes, but in the public mind they represent one “business.”

Due to tax disclosure concerns raised by the Comptroller’s counsel, we cannot provide the names of the corporations included in this analysis. I hope this information is responsive to your request. If you have any questions, please let us know.

Sincerely,

David Farkas

cc. Emmanuel Welsh
Andrew Schaufele

Corporate Income Taxes Paid

Private Sector Taxpayers with Largest Payrolls

Tax Years 2018* and 2017

Tax Year 2018				Tax Year 2017			
Industry Sector	Accounts			Industry Sector	Accounts		
	Income Tax	Total	Taxpaying		Income Tax	Total	Taxpaying
Manufacturing	\$48,176,830	20	16	Manufacturing	\$31,497,162	21	13
Trade, Transp., Utilities	8,911,974	12	6	Trade, Transp., Utilities	11,710,724	10	6
Retail	33,709,213	15	15	Retail	18,173,161	15	12
Financial, Banking	43,068,920	21	17	Financial, Banking	63,058,979	19	14
Other	65,565,776	82	48	Other	49,242,410	85	50
Grand Total	\$199,432,713	150	102	Grand Total	\$173,682,436	150	95

Payroll Rank	Accounts			Payroll Rank	Accounts		
	Income Tax	Total	Taxpaying		Income Tax	Total	Taxpaying
First 25	\$83,516,149	25	18	First 25	\$85,072,808	25	16
Second 25	36,612,083	25	16	Second 25	23,751,294	25	16
Third 25	17,376,653	25	16	Third 25	11,197,589	25	15
Fourth 25	28,671,799	25	19	Fourth 25	14,929,488	25	14
Fifth 25	11,571,934	25	13	Fifth 25	12,960,436	25	19
Sixth 25	21,684,097	25	20	Sixth 25	25,770,821	25	15
Grand Total	\$199,432,713	150	102	Grand Total	\$173,682,436	150	95

* Tax year 2018 is preliminary

Bureau of Revenue Estimates, Office of the Comptroller
January 2021

Throwback Rule

Nowhere Income - Arises when a company is not subject to a corporate income tax in one of the states into which it makes sales, either because that state does not levy such a tax or because the company does not have a sufficient level of activity in the state to be subjected to the tax, a concept known as “nexus”.

**Institute on Taxation and Economic Policy*

Throwback Rule – If a corporation ships property from an office, store, warehouse, factory, or any other place of storage in Maryland **and** the corporation is not taxable in the state of the purchaser (because it does not have sufficient physical presence in some states where it has sales), that income is “thrown back” and taxed in Maryland.

States with the Throwback Rule:

Alabama	Kansas	Oklahoma
Alaska	Kentucky	Oregon
Arkansas	Louisiana	Rhode Island
California	Maine	Tennessee
Connecticut	Massachusetts	Utah
District of Columbia	Missouri	Vermont
Hawaii	Montana	West Virginia
Idaho	New Hampshire	Wisconsin
Illinois	North Dakota	

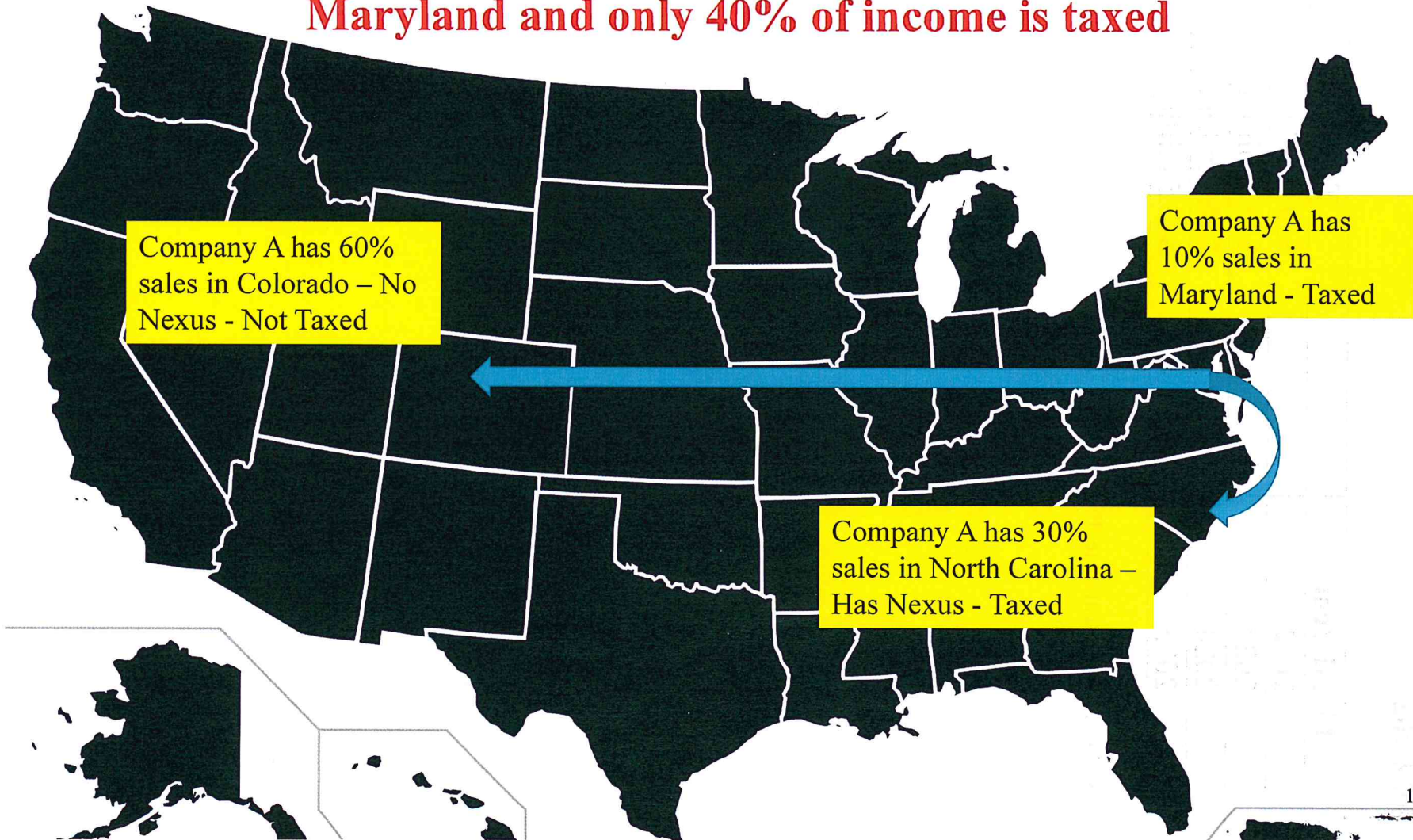
**SB 311 of 2020 Fiscal Note, Exhibit 1*

Estimated Additional Revenue Under Throwback Rule FY 2022 - 2026

Fiscal Year	Total
2022	\$58.6 million
2023	\$48.3 million
2024	\$51.1 million
2025	\$47.0 million
2026	\$47.5 million

**SB 511 of 2021 Fiscal Note, Exhibit 2*

Current Law: Company A has Headquarters and distribution in Maryland and only 40% of income is taxed



**Throwback Rule Enacted:
100% of Company A's income is taxed**

