



## **TESTIMONY FOR HB0457 CORPORATE INCOME TAX – THROWBACK RULE AND COMBINED REPORTING**

**Bill Sponsor:** Delegate Lehman

**Committee:** Ways and Means

**Organization Submitting:** Maryland Legislative Coalition

**Person Submitting:** Cecilia Plante, co-chair

**Position:** FAVORABLE

I am submitting this testimony in favor of HB0457 on behalf of the Maryland Legislative Coalition. The Maryland Legislative Coalition is an association of activists - individuals and grassroots groups in every district in the state. We are unpaid citizen lobbyists and our Coalition supports well over 30,000 members.

Our members believe that there is no better time than the present to take a hard look at how Maryland receives revenue from taxes. Specifically, how skewed taxes are skewed in favor of large corporations and away from low-income earners.

We all remember the giant tax giveaway that the Trump Administration passed in 2017. The idea, which we all understood to be false, was to 'trickle down' the giant tax cuts for corporations to low-and middle-class earners. That never happened. Corporations turned those tax breaks into stock buy-backs and bonuses for executives.

And, on top of all of that, they STILL got breaks from Maryland. Giant multi-state corporations that made huge profits from the federal tax giveaway still managed to get around paying taxes for their subsidiaries in Maryland. This needs to end.

This bill takes aim at two major 'loopholes' for large corporations - Combined Reporting and the Throwback Rule.

Combined reporting would treat a parent company and its subsidiaries as one corporation for state income tax purposes. Doing so would prevent companies from reducing their taxable profits by artificially shifting revenue on paper to out-of-state subsidiaries. Closing the combined reporting loophole would raise at least \$120 million per year.

The throwback rule would close another loophole that shields some corporate profits from taxation. Closing this loophole would ensure that each dollar of corporate income in Maryland is subject to taxation by a single state, without double taxation.

Maryland's corporate income tax is calculated using a formula that considers how much of a company's sales are located in Maryland. This system helps to prevent multiple states from taxing a business's

profits. However, when a company located in Maryland makes sales into another state, this income is sometimes not taxed by any state; instead, it becomes “nowhere income.”

Maryland needs revenues to support its residents and small businesses who have suffered during the pandemic. We believe it’s time for the big corporations to step up and pay their fair share.

We support this bill and recommend a **FAVORABLE** report in committee.