



## TESTIMONY FOR SB0360 Corporate Tax Fairness Act of 2022

**Bill Sponsor:** Senator Pinsky

**Committee:** Budget and Tax

**Organization Submitting:** Maryland Legislative Coalition

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

**Position:** FAVORABLE

I am submitting this testimony in favor of SB0360 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.

Large, multi-state and multinational corporations can take advantage of accounting gimmicks to avoid their tax responsibility in Maryland. This gives them a substantial advantage over small, Maryland-based businesses who pay their fair share in taxes. This bill takes aim at two major 'loopholes' for these 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."

There are other provisions in the bill regarding the calculation of tax on sales of personal property that are also designed to ensure that companies pay their fair share of taxes in Maryland. Our members believe that corporations should be paying their taxes.

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