



MARYLAND STATE & D.C. AFL-CIO

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HB 457 – Corporate Income Tax – Throwback Rule and Combined Reporting House Ways and Means Committee February 9, 2022

SUPPORT

**Donna S. Edwards
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Maryland State and DC AFL-CIO

Madam Chair and members of the Committee, thank you for the opportunity to provide testimony in support of HB 457 – Corporate Income Tax – Throwback Rule and Combined Reporting. My name is Donna S. Edwards, and I am the President of the Maryland State and DC AFL-CIO. On behalf of the 340,000 union members in the state of Maryland, I offer the following comments.

Most Marylanders and small businesses already pay their fair share of taxes. Big corporations doing business and making profits in Maryland do not. Combined reporting ensures that big corporations will pay their fair share, and allows Maryland owned small businesses to compete on an even playing field with multi-state and multi-national corporations. It removes the unfair advantage that currently exists for big corporations to engage in tax-evasion, at the expense of small businesses and Maryland's economy. Businesses that operate solely within the state cannot duplicate the tax avoidance strategies of large, multi-state corporations, and, therefore, are at a competitive disadvantage against companies with near limitless resources.

Twenty-eight states and the District of Columbia use combined reporting¹, and, according to an analysis by the Maryland Center on Economic Policy, it would bring in \$120 million, annually, in state revenues². While we are currently enjoying a windfall from the Federal government, we know this is only temporary. If we do not plan appropriately for the future, then we will be faced with having to make budget cuts when the Federal spigot is turned off. More budget cuts cost the jobs of Maryland workers in public and private sectors, while eliminating the investments in

¹ <https://www.cbpp.org/28-states-plus-dc-require-combined-reporting-for-the-state-corporate-income-tax>

² <http://fairfundingmd.org/bill-list/>

education and transportation that we need to prosper in the future. With increased revenue through combined reporting, we can start to close our budget gap without having to sacrifice services to the people of Maryland.

In addition to enacting combined reporting in Maryland, it is also time to address the issue of corporate “nowhere income”, where an interstate corporation sells across state lines, and the profits from those sales are not collected by any state. HB 457 closes this corporate loophole ensuring that each dollar of corporate income in Maryland is subject to taxation by a single state – without double taxation on the profits – by assigning income to Maryland for the purpose of calculating the company’s tax bill.

States as varied as West Virginia and California follow this same procedure for taxing interstate business transactions. HB 457 puts Maryland small businesses on an equal footing with their large competitors, ensuring every entity is paying taxes on income earned. Failing to close this loophole results in Maryland being shorted millions of dollars in revenue on an annual basis. That shortfall in tax revenue must be picked up by the workers of Maryland, and it is time to provide them with relief by holding multi-state corporations accountable.

HB 457 brings fairness to our tax code. It takes the pressure off hard working tax paying Marylanders, plans appropriately for the future when the Federal government is not backfilling our budget, and asks multi-national corporations to start pulling their weight.

For these reasons, we urge a favorable report on HB 457.