Madame Chair and Members of the Committee:

Thank you for the opportunity to express our support for House Bill 321, which would provide a technical amendment to allow certain companies impacted by the financial restatement of corporate tax liabilities due to the implementation of Single Sales Factor to reverse the unintended impact through Deferred Tax Relief.

Just a quick word about NextEra Energy Resources and our activity here in Maryland. NextEra Energy Resources is an affiliate of Juno Beach, Florida-based NextEra Energy, Inc., one of the largest clean energy companies in the country. NextEra Energy Resources, together with its affiliated entities, is the world's largest generator of renewable energy from the wind and sun and a world leader in battery storage. We've been a wholesale and retail energy supplier in Maryland for many years, selling a significant volume of energy primarily through the state's Standard Offer Service program, and we're presently developing several hundred megawatts of solar energy. We've always viewed Maryland as a positive place in which to invest and do business, and look forward to doing business here for many years to come.

For certain companies with a significant volume of sales in Maryland, single sales factor apportionment results in a higher apportionment factor in Maryland which can expose them to higher taxation in two ways. First through a greater tax assessment itself – the amount that is reflected on the Maryland corporate income tax return each year. The second – an unintended consequence – requires publicly traded companies subject to Generally Accepted Accounting Principles (GAAP) to revalue their deferred tax assets and liabilities upon enactment of a change in tax law, like Single Sales Factor apportionment. It's this issue that the bill is specifically designed to address. To be clear, as the fiscal note states, there will be no immediate fiscal impact to the state.

This bill does not modify in any way the application of single sales factor apportionment, which is in effect today for corporate tax filers. The Maryland-based companies that benefit from single sales factor – the rationale behind implementing single sales factor – will continue to do so, and all taxpayers required to use single sales factor will continue to be required to do so. This bill does not attempt to re-legislate or modify the substance of single sales factor, nor carve anyone out of its application.

Rather, it provides companies that experienced that unintended financial statement impact with what is called "deferred tax relief". In essence, the state grants a deduction necessary to offset the negative financial statement impact, to be used in the future – at a time of the legislature's choosing. It's a relatively well known practice used in other states when a major change in corporate taxation occurs, the most recent being in New Jersey in 2018 and New Mexico in 2019.

This proposal is supported by the Maryland Chamber of Commerce, Council on State Taxation (COST), as well as other companies, including AT&T and Verizon. We also want to reiterate that the bill is to be scored by the Comptroller as having no fiscal impact.

We want to thank Delegate Luedtke (and Chairman Guzzone in the Senate) for their support and sponsorship. We thank the Committee for their consideration and look forward to answering any questions you might have.

Michele S. Wheeler

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