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Patrick Moran - President

Testimony HB39-Corporate Income Tax Return Of Publicly Traded Corporation
-Reporting Requirements
Budget & Taxation Committee
March 29th, 2023
Support as Amended.

AFSCME Maryland representing state and Higher Education employees stand in supports of HB39. This bill requires the Comptroller to submit a report to the Governor and the General Assembly by December 31 each year that identifies for the immediately preceding taxable year the number of publicly traded corporations conducting a trade or business in another state that are required to file a Maryland income tax return and paid no amount of State income tax.

Maryland's current statutory tax rate for corporations is 8.25%. However, the reality is that most large, multi-state corporations actually pay a far lower effective tax rate – the percentage of their total income they are paying in taxes. i This is due to the special tax breaks and loopholes inserted into our tax system by special interest groups. Multistate and multinational corporations operating within Maryland can use tax-avoidance strategies to limit their tax responsibility in Maryland. This comes at the cost of public investments like transportation, education, and healthcare.

There are a number of loopholes and strategies in Maryland's tax system that corporations use to avoid paying taxes. Due to provisions in the federal Tax Cuts and Jobs Act, for example, multinational corporations do not pay domestic corporate taxes on their foreign profits. There are also a large number of tax credits that Maryland businesses are able to take advantage of. Additionally, if corporations suffer a financial loss in a certain year, they are able to offset tax burdens for that year. iii Maryland does not require combined reporting for large corporations and their subsidiaries, as 28 other states do, which would close one of the loopholes that allows large, multi-state corporations to reduce their profits on paper. Tax loopholes like these serve as a way for corporations to avoid responsibility for the investments that allow Maryland to thrive.

House Bill 39 will guarantee routine reporting on the number of corporations paying zero state income taxes. Past reports, requested by a legislator, have shown that that about one-third of the largest corporations in Maryland pay no taxes in a given year. HB 39 would increase transparency by requiring the Comptroller to publish this information annually. For these reasons, the Mar

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We must begin to seek other ways of increasing revenues in Maryland to meet the needs of its citizens. Today, we see state employees working more with less and enduring short-staffing and excessive overtime due to lack of revenues. Legislation like HB 39 attempts to further that quest to look closely at Maryland's tax structure and give away.

For these reasons, we urge the committee a favorable report on HB 39 as amended.