

SB 240 Pass Thru Entities.pdf

Uploaded by: Denise Riley

Position: FAV



A Union of Professionals
AFT-Maryland

5800 Metro Drive, Suite 100 • Baltimore, MD 21215-3226
410/764-3030 • fax: 410/764-3008
md.aft.org

Kenya Campbell
PRESIDENT

LaBrina Hopkins
SECRETARY-TREASURER

**Written Testimony before the Senate Budget and Taxation Committee
SB 240 - Income Tax – Out-of-State Taxes Paid by Pass-Through Entities –
Addition Modification
February 1, 2023**

SUPPORT

Chair Guzzone and members of the Committee, on behalf of AFT- Maryland's more than 20,000 state, municipal, and public education workers, we ask for a favorable report on SB 240.

Maryland's tax system is full of loopholes and special tax breaks that primarily benefit large corporations and the ultra-rich at the expense of small businesses and low and middle-income families. Our inequitable tax code is not sustainable to provide the state with adequate resources to fund all the services we need and rely on, like schools, public health, transportation, and environmental protections.

The state legislature must act to ensure Maryland can sustain vital public services, meet the needs of families and small businesses struggling because of the coronavirus pandemic and ensure schools have the resources to adapt to a new learning environment.

Large, multi-state and multinational corporations can take advantage of accounting gimmicks to avoid their tax responsibilities. This gives them a substantial advantage over small, Maryland-based businesses who pay their fair share in taxes.

This legislation would close loopholes that shield some corporate profits from taxation. Maryland's corporate income tax is calculated using a formula intended to measure the portion of a corporation's business activities that occur in Maryland.

It is for these reasons that we ask the committee give a favorable report to SB 240.

Thank you.

Written Testimony - SB0240 - Income Tax – Out-of S

Uploaded by: krista sermon

Position: FWA



Brooke Lierman
Comptroller

TESTIMONY OF KRISTA SERMON, DEPUTY DIRECTOR OF THE LEGAL DIVISION

Support with Amendments - Senate Bill 240 – Income Tax – Out-of-State Taxes Paid by Pass-Through Entities – Addition Modification

Budget and tax Committee

February 2, 2022

Chairman Guzzone, Vice Chairman Rosapepe and members of the Committee, it is my pleasure to provide testimony **in support with amendments** of Senate Bill 240 – Income Tax – Out-of-State Taxes Paid by Pass-Through Entities – Addition Modification. I would like to thank Chairman Guzzone for sponsoring this important legislation and the Committee for providing the opportunity for my testimony to be heard.

This bill amends the Tax General Article § 10-205 to require resident members of pass-through entities that paid entity-level taxes to another state to add back the amount of the credit received in the other state. This addback furthers the legislative goal of making the elective pass-through entity tax Maryland revenue-neutral by preventing Maryland resident PTE members from reducing their taxable income by the amount of the out-of-state PTE's deduction for state and local taxes. Current law provides analogous treatment for members of Maryland electing PTEs.

The Comptroller's Office brought this issue to the legislature's attention and assisted with draft language. Upon further review of the bill, the Comptroller suggests the following amendments for clarity and administrability. We understand that members of the Maryland Association of Certified Public Accountants may be submitting an amendment moving the subordinate clause of § 10-205(m)(2). We agree to this change and have incorporated it into the proposed amendments below.

10-205.

(a) In addition to the modification under § 10-204 of this subtitle, the amounts under this section are added to the federal adjusted gross income of a resident to determine Maryland adjusted gross income.

(m) The addition under subsection (a) of this section includes the amount of credit that is claimed ~~under:~~

(1) **UNDER** § 10-701.1 of this title for the amount of tax paid by a pass-through entity under § 10-102.1 of this title and is attributable to the member's share of tax on the member's share of the pass-through entity's taxable income, as defined in § 10-102.1(a)(8) of this title; AND

(2) ~~TO THE EXTENT NOT INCLUDED IN THE ADDITION UNDER SUBSECTION (D) OF THIS SECTION, § 10-703 OF THIS TITLE ON A RETURN FILED BY A PASS-THROUGH ENTITY IN A STATE OTHER THAN THIS STATE FOR THE AMOUNT OF TAX PAID BY THE PASS-THROUGH ENTITY TO THAT STATE, TO THE EXTENT~~

TESTIMONY OF KRISTA SERMON - SENATE BILL 240 - INCOME TAX - OUT-OF-STATE TAXES PAID BY PASS-THROUGH ENTITIES - ADDITION MODIFICATION

**NOT INCLUDED IN THE ADDITION UNDER SUBSECTION (D) OF THIS SECTION,
~~OTHER THAN THIS STATE THAT IS:~~**

- (I) BASED ON THE PASS-THROUGH ENTITY'S NET INCOME;
- (II) ATTRIBUTABLE TO THE MEMBER'S SHARE OF THE TAX; AND
- (III) DEDUCTED FROM THE PASS-THROUGH ENTITY'S INCOME
UNDER THE FEDERAL INTERNAL REVENUE CODE.

The Comptroller requests the adoption of these amendments and a favorable report on the bill.

As always, the Comptroller's Office is willing and available to answer any questions you may have at your convenience. Please contact Justin Hayes, Director of State Affairs at jhayes@marylandtaxes.gov or 410-260-7696.

MACPA Written - SB 240 _ Income Tax – Out-of-State

Uploaded by: MB Halpern

Position: FWA



Feb. 1, 2023

The Honorable Guy Guzzone, Chair
Budget & Taxation Committee
Miller Senate Office Building
Annapolis, Maryland 21401

Re: SB 240 *“Income Tax – Out-of-State Taxes Paid by Pass-Through Entities – Addition Modification”* — **FAVORABLE WITH AMENDMENTS**

Dear Chairman Guzzone and members of the Committee,

The Maryland Association of Certified Public Accountants (MACPA) is a membership organization with nearly 9,000 CPA members. Our members serve thousands of individual and business clients throughout the state.

Senate Bill 240 creates a new addition modification for members of a pass-through-entity (“PTE”) where the PTE pays an entity-level tax in other states for which the member claims a credit on his/her Maryland tax return. While we believe we understand the intent of the addition modification, our members find the proposed wording confusing and so may cause difficulty in implementation. We therefore have been in communication with the Comptroller’s Office with the goal of coming to agreement on amendment to the wording that will alleviate the confusion.

We respectfully request a favorable report only after the bill is amended with the language that will be agreed upon between the MACPA and the Comptroller’s Office.

Thank you very much for the opportunity to offer these comments for your consideration. If you have any questions or if we can provide additional information, please contact Mary Beth Halpern of the MACPA at marybeth@macpa.org or (443) 632-2330.

Sincerely,

MACPA State Tax Committee

cc: Nick Manis, Manis Canning & Associates