

HB0039 Corporate Tax Rate Transparency FAV.pdf

Uploaded by: Cecilia Plante

Position: FAV



TESTIMONY FOR HB0039 Effective Corporate Tax Rate Transparency Act of 2023

Bill Sponsor: Delegate Charkoudian

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 HB0039 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.

Maryland's giveaways to corporations in terms of tax breaks, and lack of real effective monitoring of taxable income allows many corporations to pay next to no taxes. These are big companies that make substantial profits. Almost a third of the largest companies in the state pay no taxes. There are a lot of reasons for this, and a lot of loopholes in our tax code.

However, the net result is that people who can't afford high taxes are being forced to subsidize large corporations. Maryland is not a friendly state towards retirees, and one of the reasons for this is the fact that so many big players in Maryland, from wealthy individuals to large corporations don't pay their fair share. This has to change. But first, we need information.

This bill would compel corporations to calculate their effective tax rate by applying Maryland's apportionment formula to book income and not just taxable income, since taxable income is reduced in the ways listed above. Book income, according to generally accepted accounting principles (GAAP), more closely represents the true income of a corporation than taxable income does. To find their effective tax rate, the corporation would simply divide the amount they pay in taxes in a given year by their book income. The Comptroller will then compile and send an annual report by March 1 to the Governor and the General Assembly that identifies the average effective tax rate for all publicly traded corporations, with a breakdown of the distribution of corporations by effective tax rate, average reported book income, category, its size in income, payroll, and gross receipts. This is a first step towards fixing our tax code and making sure that everyone pays their own fair share.

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

HB 39_MD Center on Economic Policy_FAV.pdf

Uploaded by: Kali Schumitz

Position: FAV

Increased Corporate Tax Transparency Would Discourage Tax Avoidance Schemes

Position Statement in Support of House Bill 39

Given before the House Ways and Means Committee

Maryland policymakers cannot make good decisions about the future of our state without good information. **The Maryland Center on Economic Policy supports House Bill 39** because it would provide more information about the actual tax rate corporations are paying in Maryland and help ensure that state policies are asking corporations pay their fair share in taxes.

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.ⁱⁱ 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 provide legislators with more accurate information to base future decisions on. Right now we know that about one-third of the largest corporations in Maryland pay no taxes in a given year, but policymakers can't assess trends or assess the cause. By requiring corporations to file a statement identifying the corporation's effective tax rate, House Bill 39 will allow policymakers and the general public to better assess state tax policies and make more informed decisions. It could allow policymakers to close the loopholes in the system that have eroded the corporate income tax base, and ensure that the corporate sector is paying its appropriate share of taxes.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Ways and Means Committee make a favorable report on House Bill 39.

Equity Impact Analysis: House Bill 39

Bill summary

House Bill 39 requires publicly traded corporations to file a statement identifying the corporation's effective tax rate and an explanation of the calculation of the effective tax rate.

Background

There are a number of loopholes in Maryland's tax system that corporations use to avoid paying taxes and a large number of tax credits that Maryland businesses are able to take advantage of. Maryland does not require combined reporting for large corporations and their subsidiaries as most states do, allowing for one of many loopholes. Additionally, if corporations suffer a financial loss in a certain year, they are able to offset their tax burdens for that year. About one-third of the largest corporations in Maryland pay no taxes in a given year. As a result of these strategies and loopholes, most large, multi-state corporations actually pay an effective tax rate that is far lower than Maryland's current statutory tax rate for corporations.

Equity Implications

House Bill 39 would allow policymakers and the general public to better assess state tax policies and make more informed decisions. This information could be used to help close the loopholes and ensure that the corporate sector is paying its appropriate share of taxes.

Ensuring that corporations pay their taxes would generate revenue that could be invested into essential services including education, health care, and transportation. These services are especially vital for Marylanders who continue to suffer from the discriminatory policy that remains today. Investing in these basic services strengthens our economy and can dismantle the economic barriers that too often hold back Marylanders of color.

Impact

House Bill 39 would likely **improve racial and economic equity** in Maryland.

ⁱ "U.S. corporations pay a far lower effective tax rate than the statutory rate would indicate" *Economic Policy Institute*, 2017 <https://www.epi.org/blog/cbo-study-shows-that-u-s-corporations-pay-a-far-lower-effective-tax-rate-than-the-statutory-rate-would-indicate/>

ⁱⁱ "Territorial Tax Is a Zero Rate on U.S. Multinationals' Foreign Profits, Threatens U.S. Revenues and Wages" *Center on Budget and Policy Priorities*, 2017 <https://www.cbpp.org/research/federal-tax/territorial-tax-is-a-zero-rate-on-us-multinationals-foreign-profits-threatens>

ⁱⁱⁱ Peter Franchot, "A Guide to Maryland Business Tax Credits" Comptroller of Maryland, 2013 http://www.perryvillemd.org/sites/perryvillemd/files/file/file/2013_tax_credit_guide.pdf

HB 39_Fair Funding Coalition_FAV.pdf

Uploaded by: Kevin Slayton

Position: FAV

MARYLAND FAIR FUNDING COALITION

**Testimony in Support of HB 39
Delegate Vanessa Atterbeary, Chair
House Ways & Means Committee**

The Maryland Fair Funding Coalition is a coalition of more than 30 organizations across the state that are committed to creating a fair and equitable tax system that supports the public services families and communities need to thrive.

The coalition supports proposals focused on eliminating loopholes and tax breaks that benefit special interests and fixing our upside-down tax code, which allows the wealthiest individuals to pay the smallest share of their income in state and local taxes. We believe large, profitable corporations should pay what they truly owe in taxes and not expect working families to continue to subsidize more than their share of taxes that support our roads, schools, and infrastructure.

Our coalition supports HB 39, which would provide more information about what corporations are truly paying in state taxes.

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. 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.

While we know, based on data from the Maryland Comptroller's Office, that year after year about one-third of the largest corporations doing business in Maryland pay zero income taxes, we don't know why that is. And for those two-thirds that are paying taxes, the public information currently available sheds no light on the whether they are paying something close to the statutory rate or something far lower. Maryland has failed to close two major corporate tax loopholes that most other states have closed, but it is challenging to assess the true cost to the state because we have limited information about corporations' overall profits.

HB 39 would provide more information about the actual tax rate corporations are paying in Maryland and help ensure that state policies are asking corporations pay what they truly owe in taxes to support the public services they benefit from.

Therefore, we urge a favorable report on HB 39

Senate Testimony.HB39_Delegate Lorig Charkoudian.d

Uploaded by: Lorig Charkoudian

Position: FAV

LORIG CHARKOUDIAN
Legislative District 20
Montgomery County

Economic Matters Committee

Subcommittees

Public Utilities

Workers' Compensation



Annapolis Office
The Maryland House of Delegates
6 Bladen Street, Room 226
Annapolis, Maryland 21401
410-841-3423 · 301-858-3423
800-492-7122 Ext. 3423
Lorig.Charkoudian@house.state.md.us

THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

HB 39- CORPORATE INCOME TAX RETURNS OF PUBLICLY TRADED CORPORATIONS
- REPORTING REQUIREMENT

MARCH 29, 2023

Chair Guzzone, Vice Chair Rosapepe, and Members of the Budget and Taxation Committee,

Maryland currently has a corporate income tax rate of 8.25%. However, few large, multi-state companies actually pay this rate and, in some cases, these large corporations pay no state taxes at all. Based on the most recent aggregate data from the Comptroller's office in 2018, at least 48 of the 150 largest corporations in Maryland paid no corporate income taxes.¹ Large businesses in Maryland are able to pay a lower rate by:

- 1) Taking advantage of various loopholes in Maryland's laws (like its failure to require combined reporting),
- 2) Taking advantages of various Maryland-specific tax incentives (like excessively generous apportionment rules and tax credits),
and
- 3) Taking advantage of federal tax breaks that flow into Maryland's tax code.

With this legislation we will have an accurate accounting of how many companies have utilized these vulnerabilities in Maryland's tax code. This bill requires that the Comptroller compile and sends an annual report to the Governor and the General Assembly that identifies the number of publicly traded corporations conducting a trade or business in another state that are required to file an income tax return and the number of these publicly traded corporations identified that paid no amount of state income tax.

I respectfully request a favorable report on HB 39.

¹ Maryland Comptroller, Letter to Sen. Paul Pinsky. Jan 20, 2022

HB 39_Fair Funding Coalition_FAV.pdf

Uploaded by: Trap Jervey

Position: FAV

MARYLAND FAIR FUNDING COALITION

**Testimony in Support of HB 39
Delegate Vanessa Atterbeary, Chair
House Ways & Means Committee**

The Maryland Fair Funding Coalition is a coalition of more than 30 organizations across the state that are committed to creating a fair and equitable tax system that supports the public services families and communities need to thrive.

The coalition supports proposals focused on eliminating loopholes and tax breaks that benefit special interests and fixing our upside-down tax code, which allows the wealthiest individuals to pay the smallest share of their income in state and local taxes. We believe large, profitable corporations should pay what they truly owe in taxes and not expect working families to continue to subsidize more than their share of taxes that support our roads, schools, and infrastructure.

Our coalition supports HB 39, which would provide more information about what corporations are truly paying in state taxes.

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. 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.

While we know, based on data from the Maryland Comptroller's Office, that year after year about one-third of the largest corporations doing business in Maryland pay zero income taxes, we don't know why that is. And for those two-thirds that are paying taxes, the public information currently available sheds no light on the whether they are paying something close to the statutory rate or something far lower. Maryland has failed to close two major corporate tax loopholes that most other states have closed, but it is challenging to assess the true cost to the state because we have limited information about corporations' overall profits.

HB 39 would provide more information about the actual tax rate corporations are paying in Maryland and help ensure that state policies are asking corporations pay what they truly owe in taxes to support the public services they benefit from.

Therefore, we urge a favorable report on HB 39

SEIU 500 HB 39 SUPPORT Corporate Income Tax Return

Uploaded by: Travis Simon

Position: FAV



Hearing Testimony March 29, 2023
Senate Budget and Taxation Committee
Service Employees International Union, Local 500, CtW, CLC

**House Bill 39 – Corporate Income Tax Returns of Publicly Traded Corporations –
Reporting Requirement**

SUPPORT

SEIU Local 500 represents over 20,000 working people in Maryland, Washington D.C., and Virginia. Our union represents the support staff at the Montgomery County Public School system, Family Child Care Providers, Faculty and Staff at several Maryland colleges and universities, staff at non-profits and many other working people across the region. **We urge a favorable report on House Bill 39 as Amended.**

SEIU Local 500 supports proposals focused on eliminating loopholes and tax breaks that benefit special interests and fixing our upside-down tax code, which allows the wealthiest individuals to pay the smallest share of their income in state and local taxes. We believe large, profitable corporations should pay what they truly owe in taxes and not expect working families to continue to subsidize more than their share of taxes that support our roads, schools, and infrastructure.

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. 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.

While we know, based on past data a legislator has requested from the Maryland Comptroller's Office, that year after year about one-third of the largest corporations doing business in Maryland pay zero income taxes. HB 39 would increase transparency by requiring regular annual reports from the Comptroller to the Governor and the General Assembly about the number of large corporations that pay no state income tax each year. This could ultimately inform future policy changes that would make Maryland's tax code more effective and equitable.

Therefore, we urge a favorable report on HB 39

**Service Employees International Union, Local 500, CtW, CLC
901 Russell Avenue, Suite 300, Gaithersburg, MD 20879
301-740-7100 www.seiu500.org
Pia Morrison, President**

HB39_FAV_with Amend_ Corporate Income Tax_AFSCME.p

Uploaded by: Cindy Smalls

Position: FWA



190 West Ostend St., #201
Baltimore, MD 21230
Phone: 410.547.1515
Fax: 410.837.5436

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

Every AFSCME Maryland State and University contract guarantees a right to union representation.
An employee has the right to a union representative if requested by the employee.
800.492.1996

Find us: afscmemd.org
Like us: facebook.com/AFSCMEMD
Follow/Tweet us: [@afscmemaryland](https://twitter.com/afscmemaryland)

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.

2023 GBCC HB 39 in B&T.pdf

Uploaded by: Ashlie Bagwell

Position: UNF



Testimony on behalf of the Greater Bethesda Chamber of Commerce

*In Opposition to
House Bill 39—Effective Corporate Tax Rate Transparency Act of 2023*

*March 29, 2023
Senate Budget and Taxation Committee*

The Greater Bethesda Chamber of Commerce (GBCC) was founded in 1926. Since then, the organization has grown to more than 550 businesses located throughout the Greater Bethesda area and beyond. On behalf of these members, we appreciate the opportunity to provide written comments on House Bill 39—Effective Corporate Tax Rate Transparency Act of 2023

House Bill 39 would require publicly traded corporations or subsidiaries of publicly traded corporations to disclose their effective corporate tax rate. In a confidential statement, a corporate entity must provide an itemized explanation for the calculation of their tax rate. This includes a comparison of the effective tax rate of the corporation both before and after application of any credits, deductions, subtraction modifications or other adjustments. While we appreciate the intent for transparency, collecting and reporting this detailed information would be an onerous one for a company. In addition, this information does not provide any real insight into assessing the effectiveness of the State's corporate tax structure.

For these reasons, we would respectfully request a unfavorable vote on House Bill 39. Thank you for the opportunity to provide written comments.

HB0039 -- Corporate Income Tax Returns of Publicly

Uploaded by: Brian Levine

Position: UNF



House Bill 39 -- *Corporate Income Tax Returns of Publicly Traded Corporations - Reporting Requirement*
Senate Budget and Taxation Committee
March 29, 2023
Oppose

The Montgomery County Chamber of Commerce (MCCC), the voice of business in Metro Maryland, opposes House Bill 39 -- *Corporate Income Tax Returns of Publicly Traded Corporations - Reporting Requirement*.

House Bill 39 requires the Comptroller to submit a report each year that identifies for the immediately preceding taxable year the number of publicly traded corporations conducting business in another state that are required to file a Maryland income tax return and paid no amount of State income tax.

The Montgomery County Chamber appreciates efforts to increase transparency and provide data that informs policymakers. However, collecting the data called for in this bill is unnecessary and does not need to be required by legislation. Not only is the collection of this information unnecessary, but it is also wasteful, costing taxpayers \$70,000 in Fiscal Year 2024 according to the bill's revised fiscal estimate. These funds would be better spent in other ways. Additionally, mandating reporting that other states do require harms Maryland's competitiveness.

For these reasons, the Montgomery County Chamber of Commerce opposes House Bill 39 and respectfully requests an unfavorable report.

The Montgomery County Chamber of Commerce, on behalf of our nearly 500 members, advocates for growth in business opportunities, strategic investment in infrastructure, and balanced tax reform to advance Metro Maryland as a regional, national, and global location for business success. Established in 1959, MCCC is an independent non-profit membership organization and a proud Montgomery County Green Certified Business.

Brian Levine | Vice President of Government Affairs
Montgomery County Chamber of Commerce
51 Monroe Street | Suite 1800
Rockville, Maryland 20850
301-738-0015 | www.mcccmd.com

HB 0039 - Corporate Income Tax Returns of Publicly

Uploaded by: Christopher Costello

Position: UNF



6240 Old Dobbin Lane ■ Suite 110 ■ Columbia, MD 21045

March 28, 2023

Hon. Guy Guzzone
Chair, Senate Budget & Tax Committee.
3 West Miller Senate Office Building
Annapolis, MD 21401
Guy.Guzzone@senate.state.md.us

Re: **HB 0039** - Corporate Income Tax Returns of Publicly Traded Corporations - Reporting Requirement
Position: **Unfavorable**

Dear Chair Guzzone:

The Howard County Chamber of Commerce (Chamber) is a business organization dedicated to economic, business, and community development in Howard County and the Central Maryland region. In advancing our mission, we advocate for policies that lead to job creation and investment.

Maryland implemented a change from three factor apportionment to Single Sales Factor Apportionment (fully phased-in for 2022), or an alternate calculation for larger corporations which double-weights the sales factor. Therefore, three-factor apportionment fraction calculation proposed in HB 39 (pg.3 lines 5-12) conflicts with existing law.

The reporting required by this bill (HB 0039) is complex and will not provide any helpful information for the state to use in administering tax policies, while simultaneously adding significant time and costs for the companies and for the Comptroller's Office staff.

Maryland would be a less desirable state for publicly traded corporations to do business in and choose to locate their headquarters. Further, the Bill's certification requirements would unnecessarily expose individuals who sign the new filings on behalf of such corporations to potential liability. We therefore see HB 0039 is neither good tax policy nor effective tax administration.

On behalf of the Chamber members, we request an unfavorable vote on HB 0039

Respectfully,

A handwritten signature in black ink that reads 'Leonardo McClarty'.

Leonardo McClarty, CCE
President, Howard County Chamber

Copy: **Members of Budget and Tax Committee**