SB576 Corporate Income Tax - Combined Reporting
Senate Budget and Taxation Committee
March 7, 2023

Position: Unfavorable

Background: SB576 would require businesses to use a combined reporting method when computing their taxable income for Maryland state income taxes.

Comments: The Maryland Retailers Association (MRA) is strongly opposed to the use of combined reporting methods for calculating a business's taxable income as the Maryland Economic Development and Business Climate Commission explicitly recommended against the implementation of combined reporting. This method of assessing a business's income has been found to negatively impact job growth and is not an accurate method of calculating a business's in-state income.

This proposal would create administrative burdens for businesses operating in Maryland and would discourage businesses from expanding into the state by establishing an unfair tax structure that captures business operations from elsewhere in the country. Our only neighboring state that uses combined reporting is West Virginia, where it may be counterbalanced by a lower corporate income tax rate at 7.75%. The Tax Foundation, an independent tax policy nonprofit, ranked Maryland at number 46 in the nation in its annual State Business Tax Climate Index for 2023. Maryland must remain competitive in order to attract corporate headquarter expansions, online order fulfillment facilities, and other new business entities, and this will not be accomplished by implementing combined reporting.

For these reasons, MRA would urge an unfavorable report on SB576. Thank you for your consideration.