



Testimony in Support of
Senate Bill 576: Corporate Income Tax - Combined Reporting
Budget and Taxation Committee
Position: Favorable

March 7, 2023

Strong Schools Maryland is a network of education advocates dedicated to ensuring the full funding and faithful implementation of the Blueprint for Maryland's Future. We are also a member of the Maryland Fair Funding Coalition, a group of more than a dozen organizations formed to ensure that the state has the resources it needs to make significant investments in education funding. **We stand in support of Senate Bill 576**, which if enacted, would eliminate a corporate tax loophole by requiring taxable income to be computed using a combined reporting method.

Large, multi-state and multinational corporations can take advantage of accounting gimmicks to avoid their tax responsibility in Maryland. A parent company and its subsidiaries can count as one corporation for state income tax purposes, effectively allowing companies to shift funds to other states to lower taxable income. This bill would bring our tax code up to speed with 29 other states (including DC). Further, both the Fair Funding Coalition and the Fiscal and Policy Note estimate that closing the loophole would raise at least \$200 million per year.

Maryland has now begun including Medicaid data in its direct certification process, which increases eligibility for students and their schools to access certain resources, like free and reduced priced meals. This new method has identified a massive blindspot in our counting of students in poverty. **The**

State has been missing nearly 1 in 9 students all across Maryland, with especially large concentrations in Montgomery, Anne Arundel, and Prince George's counties.¹ The official count is 110,501 students, and as a result, translates to more than \$1.6 billion in additional compensatory education costs. Updated projections now cast the Blueprint fund in deficit beginning in Fiscal Year 2027. The revenue source generated by combined reporting can help ensure the state keeps its commitment to students by fully funding the Blueprint for Maryland's Future.

Now is the time to ensure corporations pay their fair share, and now is the time to secure revenue sources that can fulfill the promises of the Blueprint.

For these reasons, we urge a favorable report on Senate Bill 576.

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¹ [DLS 2023 Fiscal Briefing](#)