

Testimony SB 576- Corporate Income Tax – Combine Reporting
Budget & Taxation Committee
March 7th, 2023
Support

AFSCME Maryland representing state and Higher Education employees stand in supports of SB 576 which closes two major corporate tax loopholes by enacting combined reporting. SB 576 changes address aspects of our tax system that allow large, multi-state corporations to use accounting gimmicks to avoid paying Maryland taxes. While these practices are currently legal in Maryland, most other states have already closed these loopholes.

Enacting combined reporting would provide a more complete and accurate accounting of the profit's corporations earn from their activities in Maryland than the current method of calculating the corporate income tax. This legislation would treat a parent company and its subsidiaries as one corporation for state income tax purposes, preventing companies from artificially shifting profits on paper to an out-of-state subsidiary.

This legislation could generate more than \$120 million in annual revenue for the state once fully implemented. This long-term revenue source can help ensure the state keeps its commitment to tackling the issue of understaffing within our state agencies and or funding the Blueprint for Maryland's Future while also maintaining and strengthening other essential public services. We must choose whether to commit.

This legislation would close another loophole that shields some corporate profits from taxation. Maryland's corporate income tax is calculated using a formula that considers how much of a company's sales are in Maryland. This system helps to prevent multiple states from taxing a business's profits. However, due to a federal law passed in the 1950s, when a company located in Maryland makes sales into another state, this income is sometimes not taxed by any state and it becomes "nowhere income."

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 46 attempts to further that quest to look closely at Maryland's tax structure and give away.

For these reasons, we urge the committee for a favorable report on SB 576.