TESTIMONY FOR HB0039
Effective Corporate Tax Rate Transparency Act of 2023

Bill Sponsor: Delegate Charkoudian
Committee: Ways and Means
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.