



MARYLAND STATE & D.C. AFL-CIO

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HB 39 - Effective Corporate Tax Rate Transparency Act of 2023 House Ways and Means Committee February 2, 2023

SUPPORT

**Donna S. Edwards
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Maryland State and DC AFL-CIO

Madam Chair and members of the Committee, thank you for the opportunity to provide testimony in support of HB 39 - Effective Corporate Tax Rate Transparency Act of 2023. My name is Donna S. Edwards, and I am the President of the Maryland State and DC AFL-CIO. On behalf of the 300,000 union members in the state of Maryland, I offer the following comments.

HB 39 requires publicly traded businesses in Maryland that file state income tax returns to declare, under oath, what their effective tax rate is. This data will be kept confidentially with the Office of the Comptroller, but can be aggregated and anonymized for reports to the General Assembly and Governor.

An effective corporate tax rate is a measure of the total tax expenses paid to the state versus the total relevant profits before taxes. Our state, like 44 other states and the District of Columbia, requires businesses to pay corporate income taxes on their profits. Though our laws set the corporate income tax at 8.25%, Maryland heavily subsidizes many businesses through credits, deductions, incentives, subtraction modifications, and adjustments. Each one of these programs is designed to achieve certain results for Maryland's residents, but it is impossible to measure the effectiveness of these incentives without accurate data on what businesses are actually being taxed on.

Research from the Institute on Taxation and Economic Policy finds that the nationwide weighted average corporate tax rate is 6.25%, but with write-offs, incentives, and loopholes, effective corporate state income tax was less than 2.9% of corporate pre-tax income.

Last year's opposition to the bill, largely from big businesses that receive state subsidies, complained that an itemized explanation of their effective tax rate would be an undue burden on them. One opponent referred to it as uncompensated economic research that they would be forced to conduct and suggested that the state should pay for it. Any publicly traded corporation should already, by law, be prepared to demonstrate the accounting for why they are paying a certain amount of corporate income taxes and on what profits.

It must be noted that businesses receiving state subsidies voluntarily take these state incentives. The state as the fiduciary of the public taxpayer's money should require a clear detailed report of the effective outcomes.

HB 39 would inject sunlight into an opaque process and finally allow legislators to understand the ways that our business incentives interact with state revenues and economic outcomes. The Comptroller's required report would list a breakdown of effective tax rates by industries along with analysis on why their corporate tax rates may differ from the state standard.

We encourage a favorable report on HB 39.