

TESTIMONY FOR HB0039

**Effective Corporate Tax Rate Transparency Act of 2023**

**Bill Sponsor:** Delegate Charkoudian

**Committee:** Ways and Means

**Organization Submitting:** Lower Shore Progressive Caucus

**Person Submitting:** Jared Schablein, Chair

**Position:** FAVORABLE

I am submitting this testimony in favor of HB0039 on behalf of the Lower Shore Progressive Caucus. The Caucus is a political and activist organization on the Eastern Shore, unaffiliated with any political party, committed to empowering working people by building a Progressive movement on the Lower Eastern Shore.

Several corporations in Maryland pay almost no taxes due to tax benefits given to them along with an absence of genuine effective oversight of taxable income. These are large corporations that generate sizable revenues. Almost a third of the largest companies in the state don't pay taxes. This is caused by a variety of reasons, including multiple tax code flaws.

The ultimate outcome, however, is that individuals who cannot afford high taxes are forced to subsidize big businesses. One of the reasons Maryland is not hospitable to retirees is because the elites here, particularly affluent people and big businesses, don't pay their fair share. This needs to be modified. We need information first.

Since taxable income is decreased in the mentioned ways above, this bill would obligate corporations to calculate their effective tax rate by using Maryland's apportionment formula on book income in addition to taxable income. According to commonly known accounting principles (GAAP), book income more accurately portrays a corporation's actual income than taxable income does. The corporation would merely divide the amount of taxes paid in a particular year by their book income to calculate their

effective tax rate. A document outlining the average effective tax rate for all publicly traded companies in addition to a breakdown of the distribution of corporations by effective tax rate, average reported book income, category, and size in terms of income, payroll, and gross receipts, will then be compiled and provided by the Comptroller to the Governor and the General Assembly by March 1. This is the first step towards changing our tax system and ensuring that everyone contributes their fair amount.

It is for these reasons the Lower Shore Progressive Caucus supports this bill and recommends a **FAVORABLE** report in committee.