Center on Budget and Policy Priorities

1275 First Street NE, Suite 1200
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

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Let's End Corporate Tax Avoidance in Maryland by Enacting Worldwide Combined Reporting

Testimony of Don Griswold, Senior Fellow, Center on Budget and Policy Priorities, Before the Maryland House Ways and Means Committee

Chair Atterbeary, Vice Chair Wilkins, and members of the House Ways and Means Committee, thank you for the opportunity to submit this testimony in favor of House Bill 1014.

My name is Don Griswold. Previously Berkshire Hathaway's executive tax counsel and an enabler of tax avoidance by some of the world's largest corporations, I'm now a senior fellow at the nonpartisan Center on Budget and Policy Priorities (CBPP), a nonprofit research and policy institute pursuing policies that reduce inequality and restore fiscal responsibility in equitable and effective ways. At CBPP, I analyze the policy implications for states that, like Maryland, still make corporate income tax virtually optional for powerful global corporations while local businesses pay full freight.

I'm here to address a Fair Share for Maryland Act provision which closes a huge tax loophole that discriminates against Maryland's small business community, transfers far too much tax responsibility onto hardworking Maryland families, and rigs the system in favor of a small number of immensely powerful global corporations that are abusing their power by not paying their fair share.

One straightforward policy solution would close this loophole that aggressive global corporations exploit, put Maryland small businesses on a level playing field with those global power players, and bring in hundreds of millions of dollars in greatly needed tax revenues to build inclusive prosperity.

I urge this Committee and the full House to pass, again this year, the Fair Share for Mayland Act, which closes corporate tax avoiders' favorite loophole by requiring Worldwide Combined Reporting.

The Profit-Shifting Loophole

It's common knowledge that powerful global corporations have avoided hundreds of billions of dollars in federal and state income tax over time. They pay sophisticated advisors huge fees to develop complex schemes that shift their profits offshore — beyond the reach of federal and state tax authorities — into tax havens that brazenly cannibalize other jurisdictions' revenues.

Maryland corporate income tax, like that of most other states, piggybacks on federal tax calculations, so offshore profit-shifting for federal tax avoidance also produces Maryland tax avoidance. And it's all perfectly legal today under Maryland law.

The problem is enormous, and it is driven by the world's most aggressive corporations and the ultrarich people who control them. Consider, for example, the globe's three wealthiest humans:

- Presidential adviser Elon Musk's Tesla has paid zero federal tax on billions of dollars in profits over the past several years.[1]
- Multi-billionaire Mark Zuckerberg's Facebook is among six global giants (also including Apple, Cisco, eBay, Google, and Microsoft) that together underpaid their U.S. corporate income taxes by $277 billion by skirting rules aimed at reducing offshore profit-shifting from 2009 through 2022.[2] Recall that Maryland automatically piggybacks on its apportioned share.
- Jeff Bezos's Amazon reportedly avoided over $5 billion in federal tax in a recent four-year period.[3] And again, Maryland automatically loses out as well.[4]

Incomplete Closure of the Loophole

Despite knowledge of this profit-shifting, Maryland still uses **Separate Filing**, which taxes only a severely incomplete portion of a taxpayer's total profits, making itself the avoiders' voluntary victim. Governor Moore's **Water's Edge Combined Reporting** proposal would shut down only *domestic* profit-shifting while leaving the larger offshore profit-shifting loophole wide open for tax abusers.

The Complete Solution Is Worldwide Combined Reporting

As part of the Fair Share for Maryland Act, the state once again has an opportunity to close the tax avoidance loophole by adopting Worldwide Combined Reporting (WWCR). No half-measure here; WWCR's complete reporting shuts down corporate tax avoidance entirely. Adoption of WWCR will give Marylanders an effective tool for countering the abuse of corporate power by requiring even the most aggressive corporations to pay their fair share of corporate taxes.[5]

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[1] Matthew Gardner, "Elon Musk's company avoided almost all federal income tax on nearly $11 billion of U.S. income over three years," ITEP, January 30, 2025, https://itep.org/tesla-reported-zero-federal-income-tax-in-2024/#:~:text=Over%20the%20past%20three%20years,tax%20rate%20of%2021%20percent.

[2] Reuven Avi-Yonah *et al.*, "Commensurate with Income: IRS Nonenforcement Has Cost $1 Trillion," Tax Notes Federal, May 22, 2023.

[3] Matthew Gardner, "Amazon Avoids More Than $5 Billion in Corporate Income Taxes, Reports 6 Percent Tax Rate on $35 Billion of US Income," ITEP, February 7, 2022, https://itep.org/amazon-avoids-more-than-5-billion-in-corporate-income-taxes-reports-6-percent-tax-rate-on-35-billion-of-us-income/.

[4] For information about the personal income tax avoidance of some of the billionaires whose corporations avoid tax, *see*, Jesse Eisenger, "The Secret IRS Files: Trove of Never-Before-Seen Records Reveal How the World's Wealthiest Avoid Income Tax," Pro Publica, June 8, 2021, https://www.propublica.org/article/the-secret-irs-files-trove-of-never-before-seen-records-reveal-how-the-wealthiest-avoid-income-tax.

[5] Michael Mazerov, "States Can Fight Corporate Tax Avoidance by Requiring Worldwide Combined Reporting," Center on Budget and Policy Priorities, June 27, 2024, https://www.cbpp.org/research/state-budget-and-tax/states-can-fight-corporate-tax-avoidance-by-requiring-worldwide-0.

This prudent policy would make all profit-shifting (foreign or domestic) entirely ineffective. WWCR eliminates the opportunity for sophisticated avoiders to manipulate the fundamental fictions on which tax avoidance is based — shell companies and sham transactions — because WWCR instead taxes based on economic reality. Virtually every global corporation operates as a single, integrated, unitary business enterprise so the only correct tax policy is to tax them on that basis.

Why You Should Care

Conservative revenue estimates released this week by the Institute on Taxation and Economic Policy (ITEP) project hundreds of millions of dollars in new revenues for Maryland once you close the loophole that allows a small group of the world's most aggressive global giants to dodge their responsibility to the people of Maryland. These funds will help close the budget gap and enable important public investments in good schools, good roads, good health care, and good state workers who deliver high-quality service to Marylanders.

The problem of unfettered profit-shifting by global power-abusers is not limited to reductions in public funds that could have been devoted to projects for the common good. Leaving pervasive tax avoidance unchecked has additional consequences — like perpetuating public distrust of a tax system that remains rigged, undermining fiscal citizenship, and sapping popular confidence in government for the common good. Maryland can, and should, do better than that.

Every Marylander should be able to expect from their elected officials a tax system that distributes the tax-paying responsibility fairly, that is no longer optional for aggressive global tax abusers, and that requires corporations run by the world's wealthiest humans to compete on a level playing field with small businesses run by Maryland's hard-working families.

Why is WWCR so important? Because an unrigged tax system is an essential element of a society that invests in inclusive prosperity. Because tax fairness makes Maryland more competitive. And because tax justice creates space for each and every Marylander to achieve financial dignity.

Conclusion

As the members of this committee know very well, Maryland needs Worldwide Combined Reporting. And it needs it today.

Thank you for the opportunity to submit this testimony. I welcome questions.