House Bill 457 -- *Corporate Income Tax - Throwback Rule and Combined Reporting*
House Ways and Means Committee
February 9, 2022
Oppose

The Montgomery County Chamber of Commerce (MCCC), the voice of business in Metro Maryland, opposes House Bill 392 -- *Corporate Income Tax - Throwback Rule and Combined Reporting*. House Bill 392 alters Maryland's corporate income tax by requiring combined reporting and applying a "throwback" rule in determining whether sales are considered in the State.

MCCC opposes restructuring the corporate income tax to impose combined reporting in Maryland because of its negative impact on corporate headquartered companies. MCCC cites the recommendations of the Maryland Business Tax Reform Commission (MBTRC), which was created in 2007 to review and evaluate the State's business tax structure. The Maryland General Assembly explicitly directed the MBTRC to review whether to implement combined reporting. In its 2010 final recommendations, the MBTRC recommended against combined reporting in Maryland. The Commission's final report explained its reasoning in rejecting combined reporting as follows:

- **Complexity** – combined reporting is a complex change for taxpayers, tax preparers and the Comptroller's Office, introducing uncertainty during a time when the economy is struggling.

- **Shift of Tax Burden** – combined reporting shifts the tax burden, substantially in some cases, among industries and among taxpayers, resulting in winners and losers.

- **Unnecessary** – many of the tax avoidance measures which combined reporting is intended to prevent have already been addressed by the State through the Delaware holding company add back, the captive real estate investment trust (REIT) legislation, and other measures.

- **Increased Volatility** – a Comptroller's study of corporate information returns indicated that combined reporting would lead to increased volatility in corporate income tax revenues, already one of the State's most volatile revenue sources.

Later, in 2015, the Maryland Economic Development and Business Climate Commission, also known as the Augustine Commission, issued a report recommending that combined reporting not be adopted in Maryland. The report said combined reporting "…can create revenue volatility and winners and losers among corporate taxpayers." The report added that, "Combined reporting can also lead to additional litigation from taxpayers and create additional administrative costs for both taxpayers and the state."

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MCCC continues to support the creation of a commission to analyze and make recommendations as to how to make Maryland's tax structure more fair, equitable, and economically competitive. This more comprehensive and strategic approach should be adopted, rather than a piecemeal approach to tax policy.

For these reasons, the Montgomery County Chamber of Commerce opposes House Bill 457 and respectfully requests an unfavorable report.

The Montgomery County Chamber of Commerce, on behalf of our nearly 500 members, advocates for growth in business opportunities, strategic investment in infrastructure, and balanced tax reform to advance Metro Maryland as a regional, national, and global location for business success. Established in 1959, MCCC is an independent non-profit membership organization and a proud Montgomery County Green Certified Business.

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