



To Lead, Advocate and Connect as the Voice of Business

Senate Bill 377: Corporate Income Tax - Combined Reporting

Budget and Tax

February 20, 2019

OPPOSE

The Montgomery County Chamber of Commerce ("MCCC"), as the voice of Montgomery County business, opposes Senate Bill 377, which once again proposes adopting "Combined Reporting." SB377 would require corporations that are part of a "combined group" to file corporate income tax under the combined reporting method and apportion income to Maryland based on certain factors.

As we have for many years, the MCCC opposes the restructuring of the corporate income tax to impose combined reporting in Maryland because of its negative impact on corporate headquartered companies. The Maryland Business Tax Reform Commission (the "Commission") was created during the 2007 Special Session to review and evaluate the State's current business tax structure and make specific recommendations for changes, including the imposition of combined reporting. The General Assembly explicitly directed the Commission to review whether to implement combined reporting in Maryland.

The Commission included an appointee of the Governor, certain State Senators and Delegates, a representative of local governments and members of the public. Between 2007 and 2011, the Commission held 28 separate meetings, heard extensive testimony and collected substantial data concerning Maryland's tax structure and policy. The Commission issued its final report and recommendations on December 15, 2010. By a vote of 13 – 4, the Commission 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** – the Comptroller's study of recent corporate information returns indicates that combined reporting would lead to increased volatility in corporate income tax revenues, already one of the State's most volatile revenue sources.

Businesses are struggling and may struggle for some time and we would urge the State not to make dramatic changes in its tax policy.

For the same reasons expressed by the Commission, **we request an unfavorable report on Senate Bill 377.**

Tricia Swanson, Vice President, Government Relations
Montgomery County Chamber of Commerce
51 Monroe Street, Suite 1800 Rockville, MD 20850
301-738-0015 www.mccc.md.com