



**Maryland Chamber of Commerce**

## **Legislative Position**

**SB 603  
OPPOSE**

**Budget & Tax  
Committee  
3/11/09**

### **SB 603**

#### **Corporate Income Tax – Rate Reduction and Reform**

**Bill Summary:** This bill would implement a system of mandatory unitary combined reporting for corporate income taxes beginning this year. The bill would also direct the Comptroller to administratively reduce the corporate income tax rate in tax year 2011 based on a portion of the estimated revenue yield from this legislation.

**Chamber Position:** The Maryland Chamber opposes this bill. This bill needlessly interrupts the thoughtful strategy enacted by the General Assembly at the 2007 special session, which provides for data collection and analysis, a study commission to evaluate business taxes and follow-up action by the General Assembly at the conclusion of the study. This bill ignores the data, pulls the plug on the study and takes an uncertain leap into a combined reporting tax system for corporations. It is the wrong bill at the wrong time.

We oppose the bill for the following reasons:

- **Impact Uncertain** – Recognizing that the fiscal impact on the state of converting to combined reporting is uncertain, the General Assembly has required all corporate groups doing business in Maryland to submit data for several tax years to the Comptroller. The Comptroller's Office released their report last week offering initial observations, but stating that "an estimate of what the revenue impact of combined reporting would have been in tax year 2006 is not currently possible." They noted that much progress has been made in evaluating the issue, but that "Much work, however, remains to be accomplished..." Let them do that necessary work.
- **Winners and Losers** – Combined reporting will produce winners and losers among Maryland taxpayers, with some businesses paying more, others less. It is not a "loophole closer." It is unlikely in any event that such a tax change will produce a net major increase in state revenues beyond the nearly \$800 million currently paid in corporate income taxes.
- **Uncompetitive** – None of Maryland's competitor states has enacted a combined reporting tax system. Such a system adds significant complexity to the tax system that requires additional staff resources among businesses reporting the tax, as well as the Comptroller's Office in auditing and litigating the tax.

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- **Emasculates the Tax Study** – The General Assembly’s enactment at the 2007 special session called for the creation of a Maryland Business Tax Reform Commission, which has been appointed and includes broad representation. The Commission should be allowed to do their work in evaluating Maryland’s business tax structure and report back to the General Assembly as planned.
- **Too Much Agency Delegation** – Beyond the chaos that the bill would cause by attempting to leap into combined reporting for the current tax year, the bill proposes an unworkable delegation of tax setting authority to the Comptroller. The bill provides that the Comptroller is to estimate the revenue yield from combined reporting by March 1, 2010, and reduce the corporate tax rate for the tax year 2011 by an amount that would offset 60% of that revenue yield. It is completely inappropriate to allow this type of delegated authority to an agency. Furthermore, because tax years 2009 and 2010 will likely reflect a down cycle for business activity, any adjustment is likely to understate the true revenue effect of combined reporting over the long term.

For these reasons, the Maryland Chamber urges that this bill be given an unfavorable report.

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