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901 Dulaney Valley Road
Suite 710
Towson, MD 21204
www.macpa.org
Fax: 410-296-6250
Tel: 410-296-8713
Toll free: 800-782-2036

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TO: Maryland Business Tax Reform Commission

FROM: Beverly A. Richard, CPA, MST
Maryland Association of CPAs

RE: Combined Reporting Implementation

Good evening and thank you for allowing me to testify before you today. My name is Beverly Richard and I am here on behalf of the Maryland Association of Certified Public Accountants. I am a Maryland CPA, in public practice for a Maryland CPA firm and my client base is primarily multistate businesses. I am also a speaker for the MACPA at events and educational seminars to help inform other Maryland CPAs on tax topics. I come before you to speak regarding the combined reporting proposal.

The MACPA represents over 8,000 Maryland Certified Public Accountants in public practice, private industry, government, non-profit, and education. As you are aware from your data gathering, combined reporting is a change which positively impacts some businesses, while negatively impacting other businesses. As CPAs, we represent businesses on both sides of this issue and, as such, do not take a position to support or oppose combined reporting.

Instead, I am here tonight to request that, should the Commission decide to recommend the tax reporting system in Maryland change to one of unitary combined reporting, it will also recommend a delay in the implementation date of the reporting requirement.

Proper timing is critical to such a dramatic reporting change. As you are well-aware from your pain-staking study of this topic, it is one which is not simple or easily understood. There are many details which must be addressed and addressed thoroughly. As many issues as possible should be included within any recommendation for combined reporting, and should also be addressed within any proposed legislation. Beyond the legislation, there will still be significant interpretations which will need to be considered by the Comptroller's office.

The Comptroller's office will require a tremendous amount of time to gather data on specific items within combined reporting, educate its internal staff, and provide copious amounts of guidance to the public. This large undertaking will consume valuable resources. It is imperative that the Comptroller's office be provided appropriate resources to tackle this challenge effectively, as both the taxpayer and tax practitioner community will rely heavily upon this guidance.

Once the Comptroller's office issues public guidance, a feedback period will be needed in order to address unanticipated challenges. Beyond that, the Comptroller must develop administrative protocols, such as forms and needed computer changes, in order to accommodate the new filing regime.

The MACPA will need to become active in publicizing the new requirements. Time is needed to develop educational programs to provide to our tax practitioner community. As Maryland and many nearby states have always been separate entity states, combined reporting is a brand new concept to many Maryland taxpayers and tax practitioners. A significant amount of time will be needed to educate the community of the new requirement, and in-depth education will be needed to successfully implement the change.

Tax practitioners must educate their staff and clients. We will need to identify which taxpayers are potentially part of a business group. These groups will need to be studied in detail to determine whether or not they meet the requirements of a unitary group. This is fact-driven and specific to each group, so it will be time-consuming to properly make these determinations.

The time taken for the taxpayer community will be driven upon whether or not we receive clear and specific guidance from the Comptroller's office. This is a critical step. It is imperative that appropriate time and resources are given to the Comptroller's office in order for this transition to happen smoothly and consistently between taxpayers. It is important that the tax practitioner and taxpayer community be allowed ample time to become properly educated in order to properly implement the change.

In closing, the Maryland Association of Certified Public Accountants respectfully requests that a delayed implementation accompany any possible recommendation for combined reporting.

Thank you very much for the opportunity to offer these comments for your consideration.