



THE LEAGUE OF WOMEN VOTERS OF MARYLAND, INC.

Testimony in Support of Combined Reporting Maryland Business Tax Reform Commission November 9, 2010

The League of Women Voters of Maryland believes that Maryland should have an adequate and fair system of taxation. We therefore support the use of combined reporting in Maryland which would close loopholes which allow some corporations to avoid corporate income taxes and would provide additional sorely needed revenues.

The Comptroller's announcement a year or two ago that half of the biggest corporations of the state no longer pay any Maryland income taxes was a wakeup call that supports the need for the adoption of combined reporting. Currently, corporations are able to shift funds to other states where they will be taxed at a lower rate. According to the Multistate Tax Commission, a national, bipartisan association of state comptrollers and revenue departments, Maryland may be losing up to 34% of the corporate income taxes we should collect each year. Combined reporting requires corporations which do business in several states to have a single set of books so that all of its profits are reported. Then profits can be allocated according to the usual factors of payroll, sales, and property. This would level the playing field for all corporations. The current system places a heavier state tax burden on businesses, both large and small, which do business only in Maryland.

This fiscal note on HB584 in the last session of the General Assembly indicated that general fund revenues could increase by as much as \$104.6 million and the Transportation Trust Fund by \$26.7 million as early as FY 2011 if the bill were enacted. Local highway user revenues distributed from the corporate income tax would increase by \$8 million. Other than the usual processing costs, there would be no effect on the expenditure side.

In this time of fiscal deficits, it's important that all taxpayers, including corporations, pay their fair share of Maryland taxes. We therefore, urge your support of combined reporting.