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NEWS RELEASE

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MOST MARYLAND CORPORATIONS ALREADY COMPLY WITH PROPOSED CORPORATE TAX REFORM IN OTHER STATES

Fear that Companies Would Shun State Are Unwarranted

While proposals to adopt a key corporate tax reform in Maryland have drawn criticism from some multistate corporations, the vast majority of Maryland's largest corporations already comply with the reform in at least one of the 23 other states that have it, according to a report released today by the Washington, DC-based Center on Budget and Policy Priorities.

The tax reform, known as "combined reporting," shuts down a variety of tax shelters that major multistate corporations use to avoid state corporate income taxes. Sixteen states have used combined reporting for at least two decades and seven more have adopted it since 2004.

The state legislature established the Maryland Business Tax Reform Commission in 2007 to study combined reporting and several other corporate tax policy issues, and there has been serious discussion about adopting it for several years. The Commission is holding a hearing on the issue today.

Some Maryland corporations and elected officials have expressed concern that the adoption of combined reporting could result in companies leaving the state or shunning Maryland for new investment. However, the Center examined the largest 120 multistate corporations doing business in Maryland and found that at least 108 already comply with combined reporting in at least one other state.

"Claims that combined reporting would drive corporations from Maryland or discourage them from coming to the state ring hollow," said Michael Mazerov, senior fellow with the Center's State Fiscal Project and co-author of the report. "Cleary, complying with combined reporting would not be an unmanageable burden to Maryland corporations, given that so many of them already do so in numerous other states."

Evidence from other combined reporting states indicates that combined reporting would not harm Maryland's economy, according to the report. Seven of the eight states that experienced net growth in manufacturing jobs since 1990 – Arizona, Idaho, Kansas, Montana, Nebraska, North Dakota and Utah - had combined reporting in effect.

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"Combined reporting would level the playing field for Maryland's small businesses," said Mazerov. "Right now, most small companies can't take advantage of the corporate income tax shelters that large multistate corporations exploit, leaving them at a disadvantage."

Combined reporting would also help Maryland maintain adequate resources for services key to economic growth and a competitive business climate, such as infrastructure, public safety, health care and higher education.

The Center's report, *Vast Majority of Large Maryland Corporations Are Already Subject to "Combined Reporting" in Other States* is available at: http://www.cbpp.org/cms/index.cfm?fa=view&id=3317.

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