

Making Maryland's Corporate Taxes Fairer and More Effective

Corporate tax loopholes, corporate tax avoidance schemes and special corporate tax breaks allow too many big, multi-state corporations and special-interest industries to avoid paying their fair share of taxes. As a consequence, the State's corporate taxes fall disproportionately on Maryland's small business owners who provide the major share of employment in the State.

Reforming Maryland's corporate tax laws has the potential to raise over \$700 million in additional revenue for the state.

Reforms to achieve these goals include:

1. Instituting a corporate alternative minimum assessment to capture income taxes from large corporations that avoid paying any state taxes under the existing laws;
2. Requiring corporations to file their taxes on a combined income reporting basis so that they cannot avoid taxes by hiding revenues and profits in (usually fake) subsidiary companies that are registered in other states or abroad; and
3. Eliminating special-interest tax breaks that perhaps boosted economic development in the past but which have outlived their original purpose (if ever they had one).

The association of state comptrollers, the Multistate Tax Commission, reports that corporate tax loopholes rob Maryland's treasury of 34% of the corporate tax revenue we should collect each year.

All these loopholes make Maryland a business tax paradise. Even the U.S. Chamber of Commerce's own think tank, the Council on State Taxation, admits that Maryland has one of the lowest corporate tax burdens among the states.

Today, eighteen states already have adopted "combined reporting" to comprehensively close the loopholes that, according to the latest estimate of the Comptroller's office, allow 50% of the biggest corporations in our state to pay no state income tax at all. Six governors are introducing similar corporate tax reform legislation in 2007.