MARYLAND
FAIR FUNDING
COALITION

MAKE OUR TAX SYSTEM FAIRER BY CLOSING CORPORATE LOOPHOLES

COMBINED REPORTING AND THROWBACK RULE

Large, multi-state and multinational corporations can take advantage of accounting gimmicks to avoid their tax responsibility in Maryland. This gives them a substantial advantage over small, Maryland-based businesses who pay their fair share in taxes.

OF THE 150 LARGEST CORPORATIONS IN THE STATE,
ABOUT ONE THIRD PAY ZERO IN STATE TAXES IN A GIVEN YEAR,
ACCORDING TO THE MARYLAND COMPTROLLER'S OFFICE.

The majority of other states have already taken steps to close the most common corporate income tax loopholes by enacting two measures: Combined reporting and the throwback rule.

HOW IT WORKS:

Combined reporting treats a parent company and its subsidiaries as one corporation for state income tax purposes. Doing so prevents companies from reducing their taxable profits by artificially shifting revenue on paper to out-of-state subsidiaries.

Closing the combined reporting loophole would raise at least $120 million per year. Enacting the throwback rule would close another loophole that shields some corporate profits from taxation. Maryland's corporate income tax is calculated using a formula that considers how much of a company's sales are located in Maryland. This system helps to prevent multiple states from taxing a business's profits.

However, when a company located in Maryland makes sales into another state, this income is sometimes not taxed by any state and It becomes "nowhere income." Proposed legislation would ensure that each dollar of corporate income in Maryland is subject to taxation by a single state, without double taxation or becoming so-called nowhere income.

ENACTING THE THROWBACK RULE WOULD RAISE
AT LEAST $56 MILLION PER YEAR.

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