

GOVERNMENT

# Scaled back study praised

*New measure to reduce data collected on combined reporting*

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Business leaders and state tax officials are praising a recent change to the way corporations will have to report income tax information over the next two years.

During last year's special session, the General Assembly decided to study a corporate tax policy known as combined reporting, which would require corporations to pay taxes based on the percentage of overall income they earn in the state, rather than where they have their headquarters.

Many said last year's law was poorly conceived, because it would have brought in more information than the state could use in determining whether combined reporting makes sense. The new mea-

sure, which has been signed into law, scales the study back.

Still, advocates on either side of combined reporting say they do not think the changes to the study will affect its conclusion.

"I think it doesn't help or hurt anybody because it's gathering factual data," said Karen Syrylo, a state taxation consultant to the **Maryland Chamber of Commerce**. The organization argues that combined reporting would not draw more cash for the state but would increase the filing burden on business.

Gov. Martin O'Malley included combined reporting as a part of his proposed fiscal bailout plan for the state, but it was met with staunch criticism from members of the business community. Instead

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of instituting combined reporting during the special session, lawmakers chose to study it until 2011. For that study, they called for data from firms all over the country with any operation in Maryland.

"The problem was that it would have just inundated us with data," said David Roose, director of the Maryland Bureau of Revenue Estimates. "We would have just been flooded with information, and would not have had the ability to make heads or tails of it."

He said the study will show what companies would pay if they were subject to combined reporting.

It will require companies that are part of a larger corporation to give the state information about how they relate to the other affiliates.

One of the major effects of the change, Roose said, is to cut back on the number of companies that must participate. He said his office was expecting 120,000 responses to the study, and now expects to get between 10,000 and 20,000. The study applies to companies that pay the corporate income tax, but not all of them have out-of-state operations that would require them to take part in the study.

The changes to the study also:

- Eliminate penalties including fines and imprisonment for companies that do not comply with the study.
- Clarify that the study only ap-

plies to companies now subject to Maryland tax.

- Soften requirements for information about subsidiary or affiliated companies.
- Set a 2011 expiration date for the reporting requirements.

Sen. Paul G. Pinsky, D-Prince George's, who has pushed for corporations to be subject to combined reporting for several years, said he was generally satisfied with the results.

"I think it might have cut a little bit of information that might be necessary," Pinsky said, "but by and large I think we'll have the fundamental information that we need."

Steve Banks, director of corporate taxes for Baltimore-based T. Rowe Price Group Inc., said he thinks the change to the study was a good example of a compromise between the state and companies that operate here. He said the requirements in the bill passed during the special session would have been tough to comply with.

"It was a whole lot of information for not only the current year, but for prior years ... and for data that is not necessarily in the form that they wanted it."

Donald C. Fry, president and CEO of the **Greater Baltimore Committee**, which will have a representative on the commission that studies combined reporting, said he was confident that the study would provide a solid answer for whether the practice will help or hurt the state and its economy.

"I think it really just corrected a project that was done during a very rushed special session," he said of the recent change.

