

Update: The Ongoing Battle Over Corporate Combined Reporting in Maryland

By Gilad Berkowitz, Esq.

For two consecutive legislative sessions, Annapolis lawmakers have clashed over how multi-state corporations are taxed in Maryland. At the center of the debate: A policy called combined reporting, which supporters hail as a long-overdue loophole closure and opponents decry as an unpredictable tax hike masquerading as “equitable.”

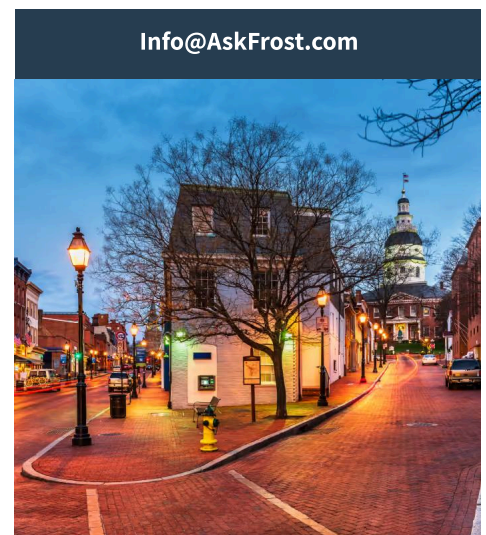
What’s Actually Being Proposed

Currently, Maryland taxes corporations using the separate accounting method, where each subsidiary of a multi-state company files its own state return. Critics of this method argue it lets sophisticated corporations shift profits on paper to subsidiaries in low- or no-tax states. That shrinks their Maryland tax bill in ways that purely in-state small businesses simply can’t replicate.¹

Combined reporting would change that by treating a unitary group of affiliated corporations as a single taxpayer, requiring them to file one combined return. Two versions of the proposal have circulated in Annapolis:

- **Water’s-edge combined reporting** — The more conventional approach, this generally limits the combined corporate group to U.S. members and certain foreign members with sufficient U.S. connections, depending on the statute. This method is already used by roughly 29 states.²
- **Worldwide combined reporting (WWCR)** — This is a far more sweeping version that would also pull in foreign affiliates with U.S.-source income. If adopted, Maryland would become the first state in the country to mandate this for all unitary corporate groups; similar structures in Minnesota, New Hampshire, and Vermont were proposed and ultimately abandoned.³

How We Got Here: Two Budget Cycles, One Standoff



FY2026 budget (2025 session): Gov. Wes Moore's initial budget proposal called for water's-edge combined reporting, framed as a way to broaden the corporate tax base and eventually justify a lower corporate rate.⁴ House leadership went further, folding worldwide combined reporting into the **Fair Share for Maryland Act** (HB 1014 / SB 859) alongside a new business transportation fee, higher rates on top earners, and a capital gains surtax. As drafted, the combined reporting requirement wouldn't have taken effect until tax year 2029, with the state Comptroller directed to write implementing regulations.⁵

For FY 2026 (the 2025 session), HB 1014 and SB 859 were introduced and heard in committee, but neither bill advanced to enactment. Senate President Bill Ferguson was unambiguous in rejecting the idea, and the final budget agreement dropped combined reporting entirely. So for a second consecutive session, Fair Share legislation including combined reporting was introduced but failed to become law. Notably, several influential senators reportedly voted to keep the provision alive in a companion bill, suggesting the Senate's opposition wasn't as unanimous as leadership's public stance implied.⁶ As part of the same deal, lawmakers also rejected Moore's proposed cut to the corporate tax rate, meaning corporations avoided the new reporting mandate without receiving the rate relief the governor had dangled.

FY2027 budget (2026 session): Combined reporting largely faded from the headlines this year. The 2026 session's budget fights centered more on closing a structural deficit, cuts to disability services, and one-time fund transfers, with the House and Senate reaching a comparatively quick budget compromise.⁷ The underlying disagreement over combined reporting, however, was never resolved — just tabled.

The Case For It

Advocacy groups like the Fair Share Maryland coalition argue combined reporting is a well-established, court-tested tool. They point to it as a straightforward way to prevent profit-shifting and estimate it could generate several hundred million dollars annually for the state.⁸ Proponents also frame it as a fairness issue: Local businesses that operate only in Maryland can't shift income across state lines, so they end up shouldering a proportionally larger tax burden than multi-state competitors.⁹

The Case Against It

The Maryland Chamber of Commerce and tax researchers offer several arguments against combined reporting:

- **Existing Enforcement:** The Comptroller's office already possesses authority and "add-back" provisions (dating to 2004) to combat intercompany tax abuse.¹⁰
- **Revenue Volatility:** The policy adds administrative complexity and could make corporate tax revenues less predictable.¹¹
- **Uncertain Yields:** Revenue projections could fall short if foreign subsidiaries turn out to be less profitable than domestic entities.¹²
- **Regulatory Discretion:** Early drafts gave the Comptroller broad power to grant or deny reporting elections without clear standards.¹³

What to Watch Next

Going forward, this is not a settled question. The issue remains a point of contention in the Legislature and among Maryland's economic stakeholders. With Maryland's budget deficit still unresolved and a statewide election scheduled



for November 3, 2026, the outcome of that election — and any resulting shifts in the leadership or composition of the General Assembly — could determine whether this fight reignites in the 2027 session.

For your own individual or business tax needs, please call Frost Law at **(410) 497-5947** or **[schedule a confidential consultation](#)**.

More News Articles

Footnotes

1. <https://www.mdchamber.org/2021/08/27/understanding-combined-reporting-in-maryland-5-top-questions-answered/>
2. <https://news.bloombergtax.com/daily-tax-report-state/maryland-governor-calls-for-combined-corporate-tax-reporting>
3. <https://taxfoundation.org/blog/maryland-b2b-tax-digital-worldwide-combined-reporting/>
4. <https://news.bloombergtax.com/daily-tax-report-state/maryland-governor-calls-for-combined-corporate-tax-reporting>
5. https://mgaleg.maryland.gov/2025RS/fnotes/bil_0004/hb1014.pdf
6. <https://mdeconomy.org/maryland-budget-update-good-news-and-bad-on-public-services-and-revenue/>
7. <https://marylandmatters.org/2026/03/28/with-little-to-argue-about-house-and-senate-reach-quick-budget-compromise/>
8. <https://www.cbpp.org/research/state-budget-and-tax/marylands-tax-loophole-for-billionaire-corporations-must-end-as>
9. <https://www.cbpp.org/research/state-budget-and-tax/lets-end-corporate-tax-avoidance-in-maryland-by-enacting-worldwide>
10. <https://www.mdchamber.org/2021/08/27/understanding-combined-reporting-in-maryland-5-top-questions-answered/>
11. <https://www.mdchamber.org/core-business-issues/taxation/>
12. <https://taxfoundation.org/blog/maryland-worldwide-combined-reporting-corporate-taxes/>
13. <https://taxfoundation.org/blog/maryland-worldwide-combined-reporting-mandatory/>

