



# This Week in State Tax (TWIST)

January 30, 2023



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## Multistate: A Roundup of Combined Reporting Bills

Legislative sessions are underway in many states and, as always, there are proposals in some separate reporting states to adopt combined reporting. In Maryland, House Bill 46 would adopt mandatory unitary combined reporting effective for tax years beginning after December 31, 2024. The default filing methodology for the combined group would be worldwide filing, but combined groups would be allowed to make an election to file on a water's-edge basis. The combined reporting provisions are fairly similar to combined reporting laws in other states in terms of adopting a more than 50 percent direct or indirect ownership test for inclusion in the combined group, and a fairly broad definition of a unitary business. House Bill 46 would allow a publicly traded corporation a deduction if the enactment of combined reporting results in an aggregate increase to the combined group's deferred tax liability, an aggregate decrease to the combined group's deferred tax assets, or a change from a net deferred tax asset to a net deferred tax liability. The deduction would be pro-rated over 10 consecutive years beginning with the first taxable year after December 31, 2029. A hearing will be held on the bill on February 2, 2023.

In Pennsylvania, Senate Bill 161 would adopt water's-edge combined reporting for tax years beginning after December 31, 2023. The water's-edge group would include certain members incorporated in or doing business in certain enumerated tax haven jurisdictions unless the member can establish that the member's income was subject to a certain effective rate of tax by such country. Senate Bill 161 would also revise the state corporate net income tax rates, which are currently scheduled to be reduced to 4.99 percent in 2031. The bill would continue the 9.99 percent rate for the 2023 tax year and would phase in a reduced rate of only 6.99 percent beginning in tax year 2026. In addition to the proposals to move to combined reporting, three states- Hawaii (House Bill 149 and Senate Bill 986), Oregon (House Bill 2674) and New Hampshire (House Bill 121)- are considering bills to adopt a form of worldwide combined reporting. Please stay tuned to TWIST for future updates on these proposals.



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