MDCEP
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Closing Corporate Tax Loopholes Is Still the Right Choice for a Thriving Maryland

A well-designed revenue system is essential for maintaining Maryland's economic health throughout the ups and downs of our state's economy. An effective tax code supports the building blocks of a thriving community, such as health care, education, and transportation. Just as importantly, a fair tax code ensures that everyone contributes their share to maintain those building blocks – including families, local businesses, and large corporations. The public investments our taxes make possible are especially vital amid a weak economy, when every job created or protected can soften the blow to families and communities.

However, large, multistate corporations are often able to wield their economic and political power to artificially reduce their tax responsibilities in Maryland. Corporate tax loopholes make it harder for the state to invest in basic services and further tip the scales of our economy in favor of the wealthy and powerful few. This harms communities across Maryland as well as small, local businesses that cannot exploit similar loopholes. The greatest harms often fall on communities of color, women, people with disabilities, and other Marylanders who face economic roadblocks built by centuries of lopsided policy choices.

If we enact a few smart reforms to close corporate tax loopholes, we can put more money in the pockets of public health professionals, teachers, and other workers whose daily efforts keep Maryland communities going. Strong evidence makes clear that an effective corporate tax code enables investments that benefit families and businesses alike and can protect local economies during hard times. Contrary to misleading claims by antitax advocates, cleaning up Maryland's corporate tax code is the right choice for our economy today and in the decades to come.

Key Findings:

- **Closing corporate tax loopholes would raise significant revenue** by preventing large, multistate corporations from artificially lowering their tax responsibilities. This can enable the state to strengthen investments in things like health care and education, or to minimize cuts during a downturn.
- **State services provide an immediate boost to the economy** by creating decent jobs that enable families to afford necessities. Local businesses benefit from increased household consumption and in some cases by selling inputs to public services. Each step increases economic activity and can create more jobs.
- An effective corporate tax code **supports our shared investments in the building blocks of long-term economic strength**, such as health care, education, and transportation. A state with a healthy, well-educated workforce and effective transportation networks is in the best position to prosper for years to come.
- **Businesses make investment and hiring decisions based on demand.** If a company can meet consumer demand and generate a profit by acquiring a building, purchasing equipment, or hiring workers, it

will do so – regardless of how the resulting profits are taxed. Conversely, a business will not expand if there is not enough market demand to make it profitable, regardless of tax policy.

- **State taxes are a small part of most businesses' cost structures and do not drive location decisions.** Companies decide where to locate based primarily on business fundamentals like access to skilled workers and reliable transportation. On average, states that ask corporations to contribute more in taxes have better-educated residents and other assets that businesses value.
- High-quality research shows that corporate income taxes are not an important determinant of the strength of state economies. In fact, **many of the states with the most vibrant economies are among those that expect corporations to contribute the most**.

Why Clean Up Our Corporate Tax Code – And How?

Maryland's current tax code allows large businesses to use several strategies to artificially reduce or even eliminate their tax responsibilities:

- **Using complex corporate structuring to shift profits on paper out of Maryland:**[i] Our tax code currently allows large corporations to use accounting gimmicks to move their earnings outside Maryland for tax purposes – to low-tax states or to overseas tax havens. This allows them to avoid paying Maryland taxes on business activity that actually occurs in Maryland. Small businesses that operate in Maryland cannot exploit this loophole.
- **Avoiding paying state corporate income taxes on "nowhere income" generated by out-of-state sales:** States calculate corporations' taxable income based on the share of sales or other business activity (such as payroll) occurring in the state. However, federal law prohibits a state from taxing a corporation's profits if the corporation makes sales into the state but does not have facilities there. This means that if a company uses Maryland facilities to sell into another state, the profits on those sales legally cannot be taxed in *any* state.
- **Claiming subsidies without bringing public benefits:** Maryland offers several business tax breaks that policymakers created with the stated intention of increasing investment in economically struggling communities. However, research shows that businesses that gain from these costly programs typically face minimal oversight and generate few benefits for surrounding communities.[ii]
- **Using alternative legal structures to avoid corporate taxation:** A growing number of large businesses organize as LLCs, partnerships, or S-corporations in order to become exempt from federal and state corporate income taxes. Contrary to widespread misconceptions, large businesses with at least $10 million in annual receipts account for two-thirds of so-called "pass-through" companies' profits, even though only about 2 percent of companies are in this group.[iii]

The large companies that exploit these loopholes gain a clear benefit by reducing their tax responsibilities. The rest of us pay the price, and communities that already face an array of economic barriers are often hit hardest:

- Corporate tax loopholes deprive the state of revenue that could otherwise be invested in things like health care and education that support thriving communities, and the harm caused by cutbacks is usually lopsided. For example, after years of gradual cuts, more than half of Black students in Maryland went to school in a district that had less than 85 percent of the funding called for under state standards as of 2017, compared to about one in eight white students.[iv]

- Maryland's tax structure is upside-down, meaning that the wealthiest 1 percent of households pay a smaller share of their income in state and local taxes than the rest of us do.[v] Corporate taxes are one of the ways we balance our tax code to ask more of those with the greatest ability to pay – but loopholes undermine this benefit, ultimately delivering a windfall to a small number of overwhelmingly white individuals.[vi] That means more tax responsibilities for working Marylanders of every racial and ethnic background.
- Small, locally owned businesses can rarely exploit the loopholes large, multistate corporations use to reduce their tax responsibility, such as artificially shifting profits out of state on paper. This puts all small, local businesses on an uneven playing field. In Maryland, women own 26 percent of relatively small businesses, compared to only 18 percent of larger businesses, among privately held businesses that can be classified by owner characteristics. Eight percent of small classifiable businesses in Maryland are Black owned, compared to only 5 percent of larger businesses. Overall, people of color own 27 percent of smaller Maryland businesses but only 22 percent of larger businesses.[vii]

If we enact a few smart reforms, we can close corporate tax loopholes and in the process make our revenue system more effective and more equitable:

- **Require combined reporting, including offshore tax havens:** Combined reporting is a method for calculating a corporation's state taxable income that requires corporations to include profits from all parent and subsidiary companies when calculating their tax responsibility. This reform prevents corporations from using accounting gimmicks to shift their profits on paper into low-tax or no-tax jurisdiction. Today, 28 states plus the District of Columbia calculate corporate tax responsibilities using combined reporting,[viii] and most multistate corporations in Maryland operate in at least one of these states.[ix] The strongest form of combined reporting would require corporations to include affiliated companies globally when calculating their tax responsibility, preventing them from taking advantage of offshore tax havens.[x]
- **Enact the throwback rule:** The throwback rule eliminates corporate "nowhere income" by assigning to Maryland certain profits from out-of-state sales for tax purposes.[xi] Specifically, when a Maryland corporation sells goods into states that do not have jurisdiction to tax those sales, the reform assigns the resulting income to Maryland for the purpose of calculating the company's tax bill. More than half of states that levy a corporate income tax have adopted the throwback rule. The throwback rule would put small companies that primarily do business inside Maryland on more equal footing with large corporations that sell into other states, and mirrors the rules that apply to individuals who live in one state and work in another.
- **End ineffective business tax breaks:** Maryland can reclaim millions in lost revenue by repealing ineffective business tax breaks that do nothing to help our economy. Legislative analysts have repeatedly found that the state's business tax breaks primarily reward economic activity that would have occurred regardless of special tax treatment.[xii] This conclusion is in line with rigorous academic research finding that business tax break programs do not work.
- **Close the LLC loophole:** Maryland can end special treatment for large businesses that today avoid paying the corporate income tax by enacting an entity-level tax on the largest LLCs, partnerships, and S-corporations. For example, exempting each company's first $1 million in profits would ensure that only about 2 percent of such companies pay the tax. This reform would further protect true small businesses by continuing to exempt sole proprietorships. Other jurisdictions such as the District of Columbia levy similar or stronger taxes.

An Effective, Equitable Tax Code Can Boost the Economy Right Away

An effective corporate tax code can produce both short-term and long-term benefits. Most immediately, an effective revenue system supports public investments that boost the overall level of demand in the economy and create family-supporting jobs in the public and private sectors alike. Good jobs create lucrative customers, providing businesses an incentive to invest in the state. These benefits are most vital during an economic downturn, when maintaining sufficient revenues can protect public investments and prevent avoidable job loss.

During an economic downturn – such as the current upheaval caused by necessarily drastic measures to fight the COVID-19 pandemic – layoffs and furloughs can create a destructive cycle in which families have no choice but to cut back on necessities, further reducing sales at local businesses and ultimately leading to more job loss.

As household income and retail sales plunge, this causes a sharp decline in state revenues. And because the state is constitutionally required to pay for most investments with current-year revenues, the state has no choice but to raise additional revenue or cut back on services. A lopsided approach focused exclusively on service cuts will inevitably worsen the destructive cycle of job loss.

Cutbacks inevitably involve some combination of layoffs, furloughs, and hours reductions for teachers, public health workers, and other workers who provide essential services and make a decent living doing it. As the state shrinks or cancels contracts with private-sector vendors and service providers, local businesses also take a hit. The result is more job loss, a steeper drop in consumer demand, worse sales in local businesses, and ultimately further declines in state revenue.

An effective, equitable revenue system can help reduce this damage, for two reasons. First and most obviously, more state revenues can enable the state to protect investments in essential services, thereby reducing job loss and cushioning the hit to consumer spending. Second, taxes on large corporations and wealthy individuals do not dampen consumer spending to nearly the same extent as service cuts:

- Maryland's tax structure is upside-down, meaning that the wealthiest 1 percent of households pay a smaller share of their income in state and local taxes than the rest of us do.[xiii] Corporate taxes are one of the ways we balance our tax code to ask more of those with the greatest ability to pay – but loopholes undermine this benefit, ultimately delivering a windfall to a small number of overwhelmingly white individuals.[xiv] That means more tax responsibilities for working Marylanders of every racial and ethnic background.
- Businesses make investment and hiring decisions based on demand – they will expand if increased sales will make an expansion profitable, or cut back if demand is weak.[xv] This means that reducing job losses caused by state service cuts can cushion a recession-driven drop in business activity. On the other hand, by definition a tax on business profits cannot turn a profitable investment into an unprofitable one,[xvi] meaning that it will have little effect on companies' decision-making.
- Corporate taxes are ultimately paid by shareholders who garner after-tax profits in the form of dividends and capital gains. Corporate shareholders overwhelmingly are households with high incomes, and by definition have more built-up wealth than other households. Households with high incomes tend to have a financial cushion and therefore respond less strongly to a decline in income than working families living paycheck to paycheck. In fact, research out of Johns Hopkins University shows that households with the most built-up wealth – those most likely to own corporate stock – are the least likely to reduce spending when their income falls.[xvii]

During a recession …		
Households with the **lowest incomes …**	spend **$41**	… out of every additional $100 of income.
Households with the **highest incomes …**	spend **$14**	… out of every additional $100 of income.
Households **living paycheck to paycheck …**	spend **$52**	… out of every additional $100 of income.
Households with the **most built-up wealth …**	spend **$5**	… out of every additional $100 of income.

Source: Carroll et al. (2017). See endnote ix. Here, "households living paycheck to paycheck" and "households with the most built-up wealth" refer, respectively, to households with the lowest and highest ratio of net worth to income.

Fundamentals, Not Taxes, Drive Long-Term Business Activity

A strong corporate tax code free of loopholes is consistent with robust business activity, for several reasons:

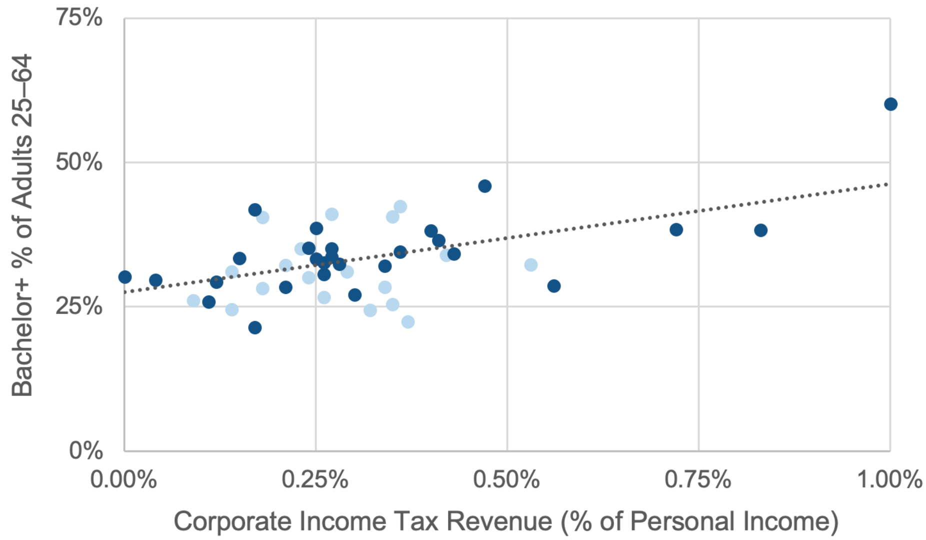
- Research shows that young, homegrown businesses are responsible for the majority of new job growth.[xviii] This should not be surprising – businesses hire when they are expanding, and they tend to expand fastest as the market for their goods and services grows. Furthermore, corporate tax policy is largely irrelevant to newly formed, rapidly expanding companies, which are generally not yet profitable and therefore do not pay corporate income taxes.
- Survey research shows that the founders of the fastest-growing companies generally start a business in the state where they already live, and most stay put once established.[xix] This, too, is unsurprising. Starting a business is a risky venture, and uprooting one's life in pursuit of lower tax responsibilities years down the road – contingent on turning a profit in the first place – only increases that risk.
- Founders of fast-growing businesses and leaders of large corporations agree: business fundamentals are the most important determinants of location decisions. In the survey of fast-growing business founders, respondents were most likely to name skilled workers as a deciding factor and rarely mentioned taxes.
- Similarly, surveys of corporate executives between 2015 and 2018 found that access to skilled labor was their No. 1 priority, followed by highway access.[xx] These factors were among respondents' top three priorities in all four years. Corporate tax rates averaged sixth-most important – after labor costs, quality of life, and real estate costs – and never cracked the top three.
- An effective revenue system allows states to invest in assets business leaders value. World-class public schools and universities produce skilled workers and make a state attractive to families. State investments in transportation infrastructure – funded in part by corporate taxes in Maryland – ensure reasonable commutes and allow companies to ship goods to market.
- State and local taxes are not a significant cost for corporations. Data from corporate tax returns show that state and local taxes constitute only 2 to 3 percent of corporations' overall costs – but this figure overstates the impact of corporate income taxes.[xxi] In fiscal year 2018, corporate income taxes constituted only 8

percent of total state and local taxes on business in Maryland – and business taxes were a smaller share of the economy in Maryland than in most other states.[xxii] Furthermore, because corporations can deduct state and local taxes for federal tax purposes, the net impact on their bottom line is smaller than revenue numbers suggest.

States that Expect More of Large Corporations Have More Highly Educated Workers

Percent of adults 25–64 with a bachelor's degree or higher v. corporate income tax revenue as a share of personal income.

Dark blue points represent states with combined reporting.
Light blue points represent states without combined reporting.



Source: MDCEP analysis of Tax Policy Center public finance data and American Community Survey one-year estimates.

Recent experience confirms that factors other than taxes drive businesses' location decisions:

- When Amazon announced its HQ2 site selection criteria, it placed the greatest emphasis on preference for a large metropolitan area with access to skilled workers and an international airport.[xxiii] Twelve of the 20 locations the company named in its "shortlist" were in the ten most populous U.S. metropolitan areas, and another was in Canada's No. 1 metro area. Amazon ultimately chose Northern Virginia – in the National Capital region and having relatively low business taxes – and New York City, the United States' largest city, and one with relatively high total business taxes. Notably, Amazon chose New York City over adjacent locations in New Jersey, a state with lower overall business taxes.[xxiv]
- Closer to home, Discovery in 2018 moved its headquarters in Silver Spring to New York.[xxv] New York has higher total business taxes than Maryland as well as combined reporting, a reform that prevents certain types of corporate tax dodging.

An Effective Corporate Tax Code Supports a Strong Economy

It is clear both from states' measurable experience and from credible research that closing corporate tax loopholes and asking corporations to contribute their share is consistent with a strong economy.

On key measures of economic strength, states that have cleaned up their tax codes and expect large corporations to pay their share perform as well as or better than states with less effective tax codes:[xxvi]

- Adults in their prime working years are equally likely to be employed in states with higher corporate taxes as in states with lower corporate taxes.[xxvii]
- Typical workers earn more for each hour on the job in states with higher corporate taxes than their counterparts in states with lower corporate taxes.[xxviii]

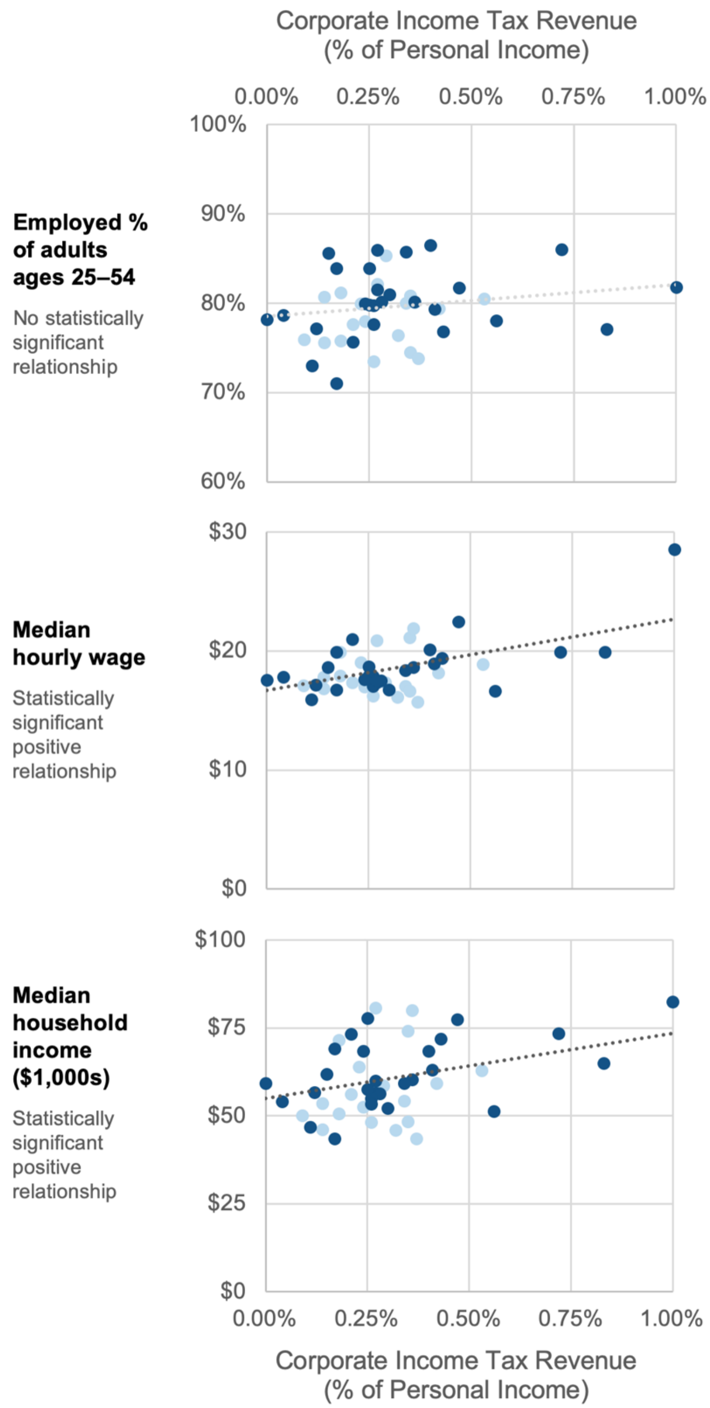
- Typical households in states with higher corporate taxes have higher total incomes than their counterparts in states with lower corporate taxes. This is unsurprising in light of these states' equivalent employment levels and higher hourly wages.[xxix]

Well-designed economic research confirms that anti-tax advocates' predictions do not hold water:

- Researchers at the Federal Reserve Bank of Boston in 2001 examined the impacts of state tax policy on business location decisions using a novel method that improved the measurement of companies' tax responsibility compared to earlier research.[xxx] The researchers found that "taxes are estimated to play a negligible role in decisions concerning where to locate capital investment."
- A 2013 literature review published by the Center on Budget and Policy Priorities used a systematic search method to identify all peer-reviewed research articles on economic impacts of state and local taxation published in major journals since 1999.[xxxi] The review found a mixture of results in existing literature, with a clear majority of publications finding no impact of state taxes on economic performance, statistically significant impacts that were too small to be practically meaningful, or positive impacts.
- Researchers in 2015 revisited one of the most highly regarded earlier studies that had found negative economic impacts of state business taxes.[xxxii] This reexamination found that the earlier study's findings were sensitive to the time period studied. Estimated economic impacts of state taxes were negative in some periods and positive in others – and generally more positive in more recent years. The study also found that using more detailed measures of tax policy – examining corporate income taxes, personal income taxes, property taxes, and so forth individually, rather than lumping them together – yielded different impacts for each type of tax,

States that Expect Corporations to Pay their Share Have Equivalent or Better Economic Performance

Dark blue points represent states with combined reporting.
Light blue points represent states without combined reporting.



Source: MDCEP analysis of Tax Policy Center/U.S. Census Bureau state and local finance data; 2017 IPUMS Current Population Survey microdata; 2017 American Community Survey one-year estimates; Economic Policy Institute analysis of 2017 Current Population Survey Outgoing Rotation Group data.

with higher corporate income taxes positively affecting state economies.

A 2013 analysis by the Maryland Department of Legislative Services is consistent with high-quality academic research.[xxxiii] State analysts simulated the impact of cutting the state's corporate income tax rate from 8.25 percent to 7.25 percent and offsetting the lost revenue either by increasing other taxes or by cutting state services. The simulation estimated that a corporate tax cut offset by service reductions would reduce the number of jobs available for the next eight years, with a loss of 1,900 jobs in the first year. The analysis further predicted that Marylanders' take-home income would be lower for at least ten years with the tax cut than without it, with a total loss of $327 million in disposable personal income over 10 years.

The verdict is in: an effective, equitable revenue system that asks large corporations to pay their fair share is the right choice for Maryland's economy now and for the decades to come.

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[i] Michael Mazerov, "State Corporate Tax Shelters and the Need for 'Combined Reporting,'" Center on Budget and Policy Priorities, 2007, https://www.cbpp.org/research/state-corporate-tax-shelters-and-the-need-for-combined-reporting

[ii] For an example of empirical research finding that tax subsidy programs are ineffective, see Nathan Jensen, "The Effect of Economic Development Incentives and Clawback Provisions on Research and Development: A Pre-Registered Evaluation of Maryland and Virginia Programs," *Research & Politics*, 2017, https://journals.sagepub.com/doi/abs/10.1177/2053168017713646
See also Maryland Department of Legislative Services evaluations of multiple tax credits, in which analysts conclude that subsidy programs are ineffective or recommend that they be discontinued.
http://dls.maryland.gov/pubs/prod/TaxFiscalPlan/WEB-Evaluation-of-the-Enterprise-Zone-Tax-Credit.pdf
http://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation-of-the-Maryland-Film-Production-Activity-Tax-Credit.pdf
http://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Draft-Evaluation-of-the-Job-Creation-Tax-Credit.pdf
http://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation-of-the-Businesses-that-Create-New-Job-Tax-Credit.pdf
http://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation-of-the-Biotechnology-Investment-Incentive-Tax-Credit-Report.pdf
http://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation-of-the-Research-and-Development-Tax-Credit.pdf

[iii] MDCEP analysis of data presented in "Background on Business Tax Reform," Joint Committee on Taxation JCX-35-16, 2016, https://www.jct.gov/publications.html?func=startdown&id=4903

[iv] MDCEP analysis of National Center for Education Statistics enrollment data and funding data presented by the Department of Legislative Services to the Blueprint for Maryland's Future Funding Formula Workgroup, July 2019, http://dls.maryland.gov/pubs/prod/NoPblTabMtg/CmsnInnovEduc/2019_07-24_AdequacyDLS.pdf

[v] Meg Wiehe, Aidan Davis, Carl Davis, Matt Gardner, Lisa Christensen Gee, and Dylan Grundman, "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States," Institute on Taxation and Economic Policy, 2018, https://itep.org/whopays/

[vi] Michael Leachman, Michael Mitchell, Nicholas Johnson, and Erica Williams, "Advancing Racial Equity with State Tax Policy," Center on Budget and Policy Priorities, 2018, https://www.cbpp.org/research/state-budget-and-tax/advancing-racial-equity-with-state-tax-policy

[vii] MDCEP analysis of 2016 Annual Survey of Entrepreneurs. Publicly held firms and some privately held firms cannot be classified by owners' characteristics and are excluded from this analysis. This analysis refers to firms with less than $1 million in annual receipts (70 percent of firms) as small and to those with $1 million or more in annual receipts (30 percent of firms) as larger. This is the highest level of annual receipts disaggregated by the Annual Survey of Entrepreneurs.

[viii] Maryland Department of Legislative Services, Fiscal and Policy Note for Senate Bill 311 of 2010.

[ix] Michael Mazerov and Mark Enriquez, "Vast Majority of Large Maryland Corporations Are Already Subject to 'Combined Reporting' in Other States," Center on Budget and Policy Priorities, 2010, https://www.cbpp.org/research/vast-majority-of-large-maryland-corporations-are-already-subject-to-combined-reporting-in

[x] For more detail on policies to prevent corporations from taking advantage of offshore tax havens, see Richard Phillips and Nathan Proctor, "A Simple Fix for a $17 Billion Loophole: How States Can Reclaim Revenue Lost to Tax Havens," Institute on Taxation and Economic Policy and U.S. PIRG, 2019, https://itep.org/a-simple-fix-for-a-17-billion-loophole/

[xi] Maryland Department of Legislative Services, Fiscal and Policy Note for Senate Bill 311 of 2010.

[xii] See Endnote ii.

[xiii] Meg Wiehe, Aidan Davis, Carl Davis, Matt Gardner, Lisa Christensen Gee, and Dylan Grundman, "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States," Institute on Taxation and Economic Policy, 2018, https://itep.org/whopays/

[xiv] Michael Leachman, Michael Mitchell, Nicholas Johnson, and Erica Williams, "Advancing Racial Equity with State Tax Policy," Center on Budget and Policy Priorities, 2018, https://www.cbpp.org/research/state-budget-and-tax/advancing-racial-equity-with-state-tax-policy

[xv] Michael Mazerov, "Cutting State Corporate Income Taxes Is Unlikely to Create Many Jobs," Center on Budget and Policy Priorities, 2010, https://www.cbpp.org/research/cutting-state-corporate-income-taxes-is-unlikely-to-create-many-jobs

[xvi] This is true as long as the tax rate is less than 100 percent. For example, if an investment generates $1 million in profit before tax, a 10 percent corporate income tax will leave $900,000 in after-tax profit. If the investment generates $1 before tax, $0.90 will remain. If the investment breaks even or loses money, no tax is owed.

[xvii] Christopher Carroll, Jiri Slacalek, Kiichi Tokuoka, and Matthew White, "The Distribution of Wealth and the Marginal Propensity to Consume," *Quantitative Economics 8*, 2017, https://onlinelibrary.wiley.com/doi/epdf/10.3982/QE694

[xviii] Michael Mazerov and Michael Leachman, "State Job Creation Strategies Often Off Base," Center on Budget and Policy Priorities, 2016, https://www.cbpp.org/research/state-budget-and-tax/state-job-creation-strategies-often-off-base

xix Rhett Morris, "What Do the Best Entrepreneurs Want in a City? Lessons from the Founders of America's Fastest-Growing Companies," Endeavor Insight, 2013, https://issuu.com/endeavorglobal1/docs/what_do_the_best_entrepreneurs_want

xx *Area Development Executive Survey Results, 2015–2018*. Pre-2015 results are not reported in sufficient detail for inclusion in this analysis.

xxi Mazerov, 2010.

xxii Andrew Phillips and Caroline Sallee, "Total State and Local Business Taxes: State-by-State Estimates for FY18," EY, 2019, https://assets.ey.com/content/dam/ey-sites/ey-com/en_us/news/2019/10/ey-total-state-and-local-business-taxes-october-2019.pdf
See Table 4 and Table A3.
Because total state and local business taxes include taxes on pass-through companies that do not pay corporate income tax, corporate income taxes are somewhat more than 8 percent of total state and local taxes for corporations that are subject to them. While data do not allow precise estimation of this amount, there is no evidence that it is high enough to constitute a substantial share of corporations' total cost structure.

xxiii Sam Shead, "Amazon Plans to Build Another US Headquarters That's 'Equal' in Size to its Seattle Campus," *Business Insider*, September 7, 2017, https://www.businessinsider.com/amazon-announces-hq2-2017-9

xxiv Phillips and Sallee, 2019, Table 4.

xxv Abha Bhattarai, "Discovery Communications Is Selling Md. Headquarters and Moving to New York," *The Washington Post*, January 9, 2018, https://www.washingtonpost.com/news/business/wp/2018/01/09/discovery-communications-is-selling-md-headquarters-and-moving-to-new-york/

xxvi Tax policy data from Tax Policy Center state and local finance database, based on U.S. Census Bureau state and local finances data. Note that these relationships do not on their own indicate that corporate tax levels are the *reason* for these performance outcomes. However, they make clear that anti-tax advocates' catastrophic predictions do not match reality.

xxvii MDCEP analysis of 2017 IPUMS Current Population Survey microdata. Specifically, there is no significant relationship between corporate income taxes as a share of personal income and the share of adults 25–54 years old who are employed. Economists generally agree that this is the best measure of the labor market's strength because it avoids misinterpretations related to demographic differences or the number of so-called "discouraged workers" who have stopped looking for work following an unsuccessful job search.

xxviii MDCEP and Economic Policy Institute analysis of 2017 Current Population Survey Outgoing Rotation Group data.

xxix MDCEP analysis of 2017 American Community Survey one-year estimates.

xxx George Plesko and Robert Tannenwald, "Measuring the Incentive Effects of State Tax Policies toward Capital Investment," Federal Reserve Bank of Boston Research Department Working Paper No. 01–4, 2001, https://www.bostonfed.org/publications/research-department-working-paper/2001/measuring-the-incentive-effects-of-state-tax-policies-toward-capital-investment.aspx

xxxi Michael Mazerov, "Academic Research Lacks Consensus on the Impact of State Tax Cuts on Economic Growth," Center on Budget and Policy Priorities, 2013, https://www.cbpp.org/research/academic-research-lacks-consensus-on-the-impact-of-state-tax-cuts-on-economic-growth

xxxii Willian Gale, Aaron Krupkin, and Kim Reuben, "The Relationship between Taxes and Growth at the State Level: New Evidence," *National Tax Journal 68*(4), 2015, https://www.ntanet.org/NTJ/68/4/ntj-v68n04p919-942-relationship-state-taxes-growth.pdf?v=%CE%B1&r=9474509033914325

xxxiii Maryland Department of Legislative Services, "Economic Impacts of Reducing the Maryland Corporate Income Tax Rate," 2013, http://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Corporate-Income-Tax-Analysis-Report-for-web.pdf