

The annual franchise tax due from foreign corporations is based on the amount of the capital employed by such corporations within the State. This method of using the capital employed in Maryland as a basis upon which to calculate the annual charge does not seem sound, and is not fair to domestic corporations.

A far better method would provide that the annual charge be imposed on an estimated capital of such foreign corporations credited to this State and bearing the same ratio to the entire capitalization as the assets of the corporation in Maryland bear to the entire assets of such company.

For instance, should a company have \$2,000,000 of capital and have \$500,000 of assets in Maryland and \$2,000,000 of assets outside of Maryland, then one-fifth of the entire capital, or \$400,000, should be the estimated capital upon which the annual franchise tax is to be charged. If all of the assets are in Maryland, then all of the capital should be treated as estimated capital in Maryland.

In arriving at the amount of estimated capital no consideration should be paid to debts or credits due to or from such corporations.

After the estimated capital is determined the same rates should be imposable as are imposable upon the paid-in capital of domestic corporations.

The real estate of domestic and foreign corporations is assessed locally. The tangible personal property of domestic corporations is assessed by central authority—that is, by the State Tax Commission, while the tangible personal property of foreign corporations is assessed by local authorities. There should be no difference in the agency for assessment.

Every consideration requires that the personal property of foreign corporations should be assessed by that agency. Too much stress cannot be placed on this. Comparative information can be compiled and the best results can be obtained as the work of the State Tax Commission develops. Elsewhere is reference made to the assessment of the property of firms and individuals and mention made of the necessity of annual review by the State Tax Commission.

The Commission is strongly of the opinion that the entire jurisdiction of foreign corporations should be transferred to the State Tax Commission, and that all foreign corporations should file their request for licenses or permission to do business in Maryland with it, and that the certificates for such privilege should be issued by it.