

# HOUSE BILL 2

Q7, Q3, Q4

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CF SB 2

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By: **The Speaker (By Request - Administration)**

Introduced and read first time: October 29, 2007

Assigned to: Ways and Means and Appropriations

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Committee Report: Favorable with amendments

House action: Adopted with floor amendments

Read second time: November 3, 2007

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Tax Reform Act of 2007**

3 FOR the purpose of altering a provision relating to the calculation of the income tax  
4 required to be withheld on wages; altering the rates and rate brackets under the  
5 State income tax on individuals; providing for the application of the income tax  
6 rates to nonresidents; ~~altering the amount allowed as a deduction for additional~~  
7 ~~exemptions under the Maryland income tax for certain individuals who as of the~~  
8 ~~last day of the taxable year are blind or are at least a certain age; altering the~~  
9 ~~amount allowed as a deduction for certain exemptions under the Maryland~~  
10 ~~income tax; altering the amount allowed as a deduction for certain exemptions~~  
11 ~~under certain circumstances; altering the calculation of the rate of tax that~~  
12 ~~must be paid to the clerk of the circuit court for a county or to the Department~~  
13 ~~of Assessments and Taxation prior to the recording of certain deeds for the sale~~  
14 ~~of certain property; altering eligibility for and the percentage of the federal~~  
15 ~~earned income credit used for determining the amount that certain individuals~~  
16 ~~may claim as a refundable credit under the Maryland earned income credit~~  
17 ~~under certain circumstances; altering the calculation of a refundable county~~  
18 ~~earned income credit if a county provides a refundable county earned income~~  
19 ~~credit; removing a certain restriction on eligibility to claim a refundable earned~~  
20 ~~income credit under certain circumstances; allowing certain individuals having~~  
21 ~~income not exceeding certain levels a credit against the State income tax in a~~  
22 ~~certain amount; making the credit refundable under certain circumstances;~~  
23 ~~altering the maximum rate of the admissions and amusement tax that a county~~  
24 ~~or municipal corporation may set for gross receipts that are also subject to the~~  
25 ~~State sales and use tax; altering the rate of the sales and use tax; altering the~~  
26 ~~percentage of gross receipts from vending machine sales to which the sales and~~

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



## HOUSE BILL 2

1 ~~use tax rate applies; altering the calculation of a certain credit relating to~~  
2 ~~collecting and paying the sales and use tax; altering the definition of “taxable~~  
3 ~~service” under the sales and use tax to impose the tax on certain services;~~  
4 ~~designating certain periods each year to be tax free periods during which an~~  
5 ~~exemption from the sales and use tax is provided for the sale of certain~~  
6 ~~appliances and products that meet or exceed certain applicable energy efficiency~~  
7 ~~guidelines and certain solar water heaters; designating certain periods each~~  
8 ~~year to be tax free periods during which a certain sales and use tax exemption~~  
9 ~~for the sale of certain clothing or footwear is provided; altering the State income~~  
10 ~~tax rate on the Maryland taxable income of corporations; altering the~~  
11 ~~distribution of the corporate income tax; requiring the Comptroller to distribute~~  
12 ~~certain corporate income tax revenues for certain fiscal years to a certain special~~  
13 ~~fund and a certain account in the Transportation Trust Fund; establishing the~~  
14 ~~Higher Maryland Education Investment Fund; specifying that the Fund is a~~  
15 ~~special, nonlapsing fund, that the State Treasurer shall hold the Fund~~  
16 ~~separately, and that the Comptroller shall account for the Fund; specifying that~~  
17 ~~the Fund consists of certain revenues a certain appropriation and other moneys~~  
18 ~~accepted for certain purposes; requiring certain investment earnings to be~~  
19 ~~credited to the Fund; allowing the Fund to be used only for certain purposes and~~  
20 ~~under certain circumstances; altering a certain modification under the~~  
21 ~~Maryland income tax relating to certain federal tax changes; requiring certain~~  
22 ~~corporations to compute Maryland taxable income using a certain method;~~  
23 ~~providing that, subject to regulations of the Comptroller, certain groups of~~  
24 ~~corporations shall file a combined income tax return reflecting the aggregate~~  
25 ~~income tax liability of all of the members of the group; requiring the~~  
26 ~~Comptroller to adopt certain regulations; requiring certain regulations to be~~  
27 ~~consistent with certain regulations adopted by the Multistate Tax Commission;~~  
28 ~~imposing recordation and transfer taxes on the transfer of controlling interest in~~  
29 ~~certain entities owning certain interests in real property in Maryland; requiring~~  
30 ~~the filing of a certain report; providing for a filing fee; establishing the rate of~~  
31 ~~taxation and the method of calculation of tax liability; exempting certain~~  
32 ~~transfers; providing for interest and a penalty for certain filings; requiring the~~  
33 ~~Department of Assessments and Taxation to adopt certain regulations;~~  
34 ~~requiring the Department to deduct and credit certain revenues to a certain~~  
35 ~~fund; altering the tobacco tax rate for cigarettes; altering a certain discount~~  
36 ~~provision under the tobacco tax; providing for the application of the tobacco tax~~  
37 ~~to certain cigarettes; requiring the Comptroller to assess interest and penalties~~  
38 ~~under certain circumstances for a certain taxable year; requiring the~~  
39 ~~Comptroller to adopt regulations to exempt from a certain rate increase certain~~  
40 ~~sales related to contracts entered into prior to a certain date; stating the intent~~  
41 ~~of the General Assembly that certain general fund appropriations for certain~~  
42 ~~purposes be included in the State budget for certain fiscal years under certain~~  
43 ~~circumstances; stating the intent of the General Assembly that certain~~  
44 ~~distributions of certain revenues continue for certain fiscal years under certain~~  
45 ~~circumstances; defining certain terms; repealing certain obsolete provisions of~~  
46 ~~law; providing for the effective dates and application of this Act; and generally~~  
47 ~~relating to Maryland taxes.~~

1 BY repealing and reenacting, without amendments,  
 2 Article – Tax – General  
 3 Section 2–106(c)(3) and (d)(3), 10–207(r), and 10–908(d)  
 4 Annotated Code of Maryland  
 5 (2004 Replacement Volume and 2007 Supplement)

6 BY repealing and reenacting, with amendments,  
 7 Article – Tax – General  
 8 Section 2–106(f), 2–614, 2–615, ~~4–105(b)~~, 10–102.1(d)(1), 10–105,  
 9 10–210.1(b)(3), 10–211, 10–601, 10–704, 10–908(e) and (f), 10–912(c),  
 10 ~~11–101(m)~~, and 10–811, ~~11–104(a) and (b)~~, ~~11–105~~, ~~11–226~~, ~~11–228~~,  
 11 ~~11–301~~, ~~12–105(a)~~, and ~~12–303(b)~~  
 12 Annotated Code of Maryland  
 13 (2004 Replacement Volume and 2007 Supplement)

14 BY adding to  
 15 Article – Tax – General  
 16 Section 2–613.1, and 10–402.1, ~~and 10–726~~  
 17 Annotated Code of Maryland  
 18 (2004 Replacement Volume and 2007 Supplement)

19 ~~BY adding to~~  
 20 ~~Article – Education~~  
 21 ~~Section 15–106.6 27–101 to be under the new title “Title 27. Maryland~~  
 22 ~~Education Investment Fund”~~  
 23 ~~Annotated Code of Maryland~~  
 24 ~~(2006 Replacement Volume and 2007 Supplement)~~

25 BY repealing and reenacting, with amendments,  
 26 Article – Tax – Property  
 27 Section 12–110(d) and 13–209(a)  
 28 Annotated Code of Maryland  
 29 (2007 Replacement Volume)

30 BY adding to  
 31 Article – Tax – Property  
 32 Section 12–117 and 13–103  
 33 Annotated Code of Maryland  
 34 (2007 Replacement Volume)

35 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
 36 MARYLAND, That the Laws of Maryland read as follows:

37 **Article – Tax – General**

38 2–106.

1 (c) (3) The total amounts required under the tables to be withheld during  
 2 a taxable year shall approximate the total income tax due on the wages for the year,  
 3 determined as provided in subsection (f) of this section.

4 (d) (3) The total percentages required under the schedules to be withheld  
 5 during a taxable year shall approximate the income tax due on the wages for the year,  
 6 determined as provided in subsection (f) of this section.

7 (f) The total income tax required to be withheld on wages for purposes of the  
 8 withholding tables and withholding schedules under this section shall be calculated  
 9 without regard to the **MARGINAL** State income tax rates **LESS THAN 4% 4.75%** set  
 10 forth under [§ 10–105(a)(1) through (3)] **§ 10–105(A)(1)(I) AND (II) AND (2)(I) AND**  
 11 **(H) THROUGH (III) AND (2)(I) THROUGH (III)** of this article.

12 10–102.1.

13 (d) (1) Except as provided in paragraph (2) of this subsection, the tax  
 14 imposed under subsection (b) of this section is the sum of:

15 (i) a rate equal to the sum of the rate of the tax imposed under  
 16 § 10–106.1 of this [title] **SUBTITLE** and the top marginal State tax rate for individuals  
 17 under § 10–105(a)(4) of this subtitle applied to the sum of each nonresident individual  
 18 member’s distributive share or pro–rata share of a pass–through entity’s nonresident  
 19 taxable income; and

20 (ii) the rate of the tax for a corporation under § 10–105(b) of this  
 21 subtitle applied to the sum of each nonresident entity member’s distributive share or  
 22 pro–rata share of a pass–through entity’s nonresident taxable income.

23 10–105.

24 (a) (1) [The] **FOR AN INDIVIDUAL OTHER THAN AN INDIVIDUAL**  
 25 **DESCRIBED IN PARAGRAPH (2) OF THIS SUBSECTION, THE** State income tax rate  
 26 [for an individual] is:

27 [(1)] (I) 2% of Maryland taxable income of \$1 through \$1,000;

28 [(2)] (II) 3% of Maryland taxable income of \$1,001 through \$2,000;

29 [(3)] (III) 4% of Maryland taxable income of \$2,001 through [\$3,000]  
 30 ~~\$15,000~~ **\$3,000**; [and]

31 (IV) **4.75% OF MARYLAND TAXABLE INCOME OF \$15,001**  
 32 **\$3,001 THROUGH \$150,000 \$125,000**;

1 (V) ~~6%~~ 5.25% OF MARYLAND TAXABLE INCOME OF  
 2 ~~\$150,001 \$125,001~~ THROUGH ~~\$500,000~~ \$150,000; AND

3 (VI) 5.5% OF MARYLAND TAXABLE INCOME OF \$150,001  
 4 THROUGH \$200,000; AND

5 [(4)] ~~(VI)~~ (VII) [for] ~~6.5%~~ 5.75% OF Maryland taxable income in excess  
 6 of [\$3,000:] ~~\$500,000~~ \$200,000.

7 [(i) 4.875% for a taxable year beginning after December 31, 1997  
 8 but before January 1, 1999;

9 (ii) 4.85% for a taxable year beginning after December 31, 1998  
 10 but before January 1, 2000;

11 (iii) 4.85% for a taxable year beginning after December 31, 1999  
 12 but before January 1, 2001;

13 (iv) 4.8% for a taxable year beginning after December 31, 2000  
 14 but before January 1, 2002; and

15 (v) 4.75% for a taxable year beginning after December 31,  
 16 2001.]

17 (2) FOR SPOUSES FILING A JOINT RETURN OR FOR A SURVIVING  
 18 SPOUSE OR HEAD OF HOUSEHOLD AS DEFINED IN § 2 OF THE INTERNAL  
 19 REVENUE CODE, THE STATE INCOME TAX RATE IS:

20 (I) 2% OF MARYLAND TAXABLE INCOME OF \$1 THROUGH  
 21 ~~\$2,000~~ \$1,000;

22 (II) 3% OF MARYLAND TAXABLE INCOME OF ~~\$2,001~~ \$1,001  
 23 THROUGH ~~\$4,000~~ \$2,000;

24 (III) 4% OF MARYLAND TAXABLE INCOME OF ~~\$4,001~~ \$2,001  
 25 THROUGH ~~\$22,500~~ \$3,000;

26 (IV) 4.75% OF MARYLAND TAXABLE INCOME OF ~~\$22,501~~  
 27 \$3,001 THROUGH ~~\$200,000~~ \$175,000;

28 (V) ~~6%~~ 5.25% OF MARYLAND TAXABLE INCOME OF  
 29 ~~\$200,001 \$175,001~~ THROUGH ~~\$500,000~~ \$200,000; AND

30 (VI) 5.5% OF MARYLAND TAXABLE INCOME OF \$200,001  
 31 THROUGH \$250,000; AND

1 ~~(VI)~~ (VII) ~~6.5%~~ 5.75% OF MARYLAND TAXABLE INCOME IN  
 2 EXCESS OF ~~\$500,000~~ \$250,000.

3 (c) For a husband and wife filing a joint income tax return, the rates  
 4 specified in subsection (a) of this section apply to the joint Maryland taxable income of  
 5 the husband and wife.

6 (D) FOR A NONRESIDENT:

7 (1) THE RATES SPECIFIED IN SUBSECTION (A) OF THIS SECTION  
 8 APPLY TO THE NONRESIDENT'S MARYLAND TAXABLE INCOME, CALCULATED  
 9 WITHOUT REGARD TO THE SUBTRACTIONS UNDER § 10-210(B), (E), AND (F) OF  
 10 THIS TITLE; AND

11 (2) THE STATE INCOME TAX IMPOSED EQUALS THE RESULT  
 12 OBTAINED UNDER ITEM (1) OF THIS SUBSECTION MULTIPLIED TIMES A  
 13 FRACTION:

14 (I) THE NUMERATOR OF WHICH IS THE NONRESIDENT'S  
 15 MARYLAND TAXABLE INCOME, CALCULATED WITH THE SUBTRACTIONS UNDER §  
 16 10-210(B), (E), AND (F) OF THIS TITLE; AND

17 (II) THE DENOMINATOR OF WHICH IS THE NONRESIDENT'S  
 18 MARYLAND TAXABLE INCOME, CALCULATED WITHOUT REGARD TO THE  
 19 SUBTRACTIONS UNDER § 10-210(B), (E), AND (F) OF THIS TITLE.

20 10-207.

21 (r) (1) In this subsection, "modified Maryland adjusted gross income"  
 22 means Maryland adjusted gross income determined separately for each spouse on a  
 23 joint return without regard to the subtraction allowed under this subsection.

24 (2) For a two-income married couple filing a joint return, the  
 25 subtraction under subsection (a) of this section includes the lesser of \$1,200 or the  
 26 modified Maryland adjusted gross income of the spouse with the lesser modified  
 27 Maryland adjusted gross income for the taxable year.

28 10-211.

29 ~~Whether~~ (A) EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION,  
 30 WHETHER or not a federal return is filed, to determine Maryland taxable income, an  
 31 individual other than a fiduciary may deduct as an exemption:

32 (1) ~~\$2,400~~ \$3,200 for each exemption that the individual may deduct  
 33 in the taxable year to determine federal taxable income under § 151 of the Internal  
 34 Revenue Code[:

1 (i) \$1,750 for a taxable year beginning after December 31, 1997  
2 but before January 1, 1999;

3 (ii) \$1,850 for a taxable year beginning after December 31, 1998  
4 but before January 1, 2000;

5 (iii) \$1,850 for a taxable year beginning after December 31, 1999  
6 but before January 1, 2001;

7 (iv) \$2,100 for a taxable year beginning after December 31, 2000  
8 but before January 1, 2002; and

9 (v) \$2,400 for a taxable year beginning after December 31,  
10 2001];

11 (2) **AN ADDITIONAL ~~\$2,400~~ \$3,200** for each dependent, as defined in  
12 § 152 of the Internal Revenue Code, who is at least 65 years old on the last day of the  
13 taxable year[, an additional:

14 (i) \$1,750 for a taxable year beginning after December 31, 1997  
15 but before January 1, 1999;

16 (ii) \$1,850 for a taxable year beginning after December 31, 1998  
17 but before January 1, 2000;

18 (iii) \$1,850 for a taxable year beginning after December 31, 1999  
19 but before January 1, 2001;

20 (iv) \$2,100 for a taxable year beginning after December 31, 2000  
21 but before January 1, 2002; and

22 (v) \$2,400 for a taxable year beginning after December 31,  
23 2001];

24 (3) an additional ~~[\$1,000]~~ **\$2,000** if the individual, on the last day of  
25 the taxable year, is at least 65 years old; and

26 (4) an additional ~~[\$1,000]~~ **\$2,000** if the individual, on the last day of  
27 the taxable year, is a blind individual, as described in § 10-208(c) of this subtitle.

28 **(B) IF AN INDIVIDUAL OTHER THAN ONE DESCRIBED IN SUBSECTION (C)**  
29 **OF THIS SECTION HAS FEDERAL ADJUSTED GROSS INCOME FOR THE TAXABLE**  
30 **YEAR GREATER THAN \$100,000, THE AMOUNT ALLOWED FOR EACH EXEMPTION**  
31 **UNDER SUBSECTION (A)(1) OR (2) OF THIS SECTION IS LIMITED TO:**

1           **(1) \$2,400 IF FEDERAL ADJUSTED GROSS INCOME FOR THE**  
2 **TAXABLE YEAR DOES NOT EXCEED \$125,000;**

3           **(2) \$1,800 IF FEDERAL ADJUSTED GROSS INCOME FOR THE**  
4 **TAXABLE YEAR IS GREATER THAN \$125,000 BUT NOT GREATER THAN \$150,000;**

5           **(3) \$1,200 IF FEDERAL ADJUSTED GROSS INCOME FOR THE**  
6 **TAXABLE YEAR IS GREATER THAN \$150,000 BUT NOT GREATER THAN \$200,000;**  
7 **AND**

8           **(4) \$600 IF FEDERAL ADJUSTED GROSS INCOME FOR THE**  
9 **TAXABLE YEAR IS GREATER THAN \$200,000.**

10           **(C) IF A MARRIED COUPLE FILING A JOINT RETURN OR AN INDIVIDUAL**  
11 **DESCRIBED IN § 2 OF THE INTERNAL REVENUE CODE AS A HEAD OF**  
12 **HOUSEHOLD OR AS A SURVIVING SPOUSE HAS FEDERAL ADJUSTED GROSS**  
13 **INCOME FOR THE TAXABLE YEAR GREATER THAN \$150,000, THE AMOUNT**  
14 **ALLOWED FOR EACH EXEMPTION UNDER SUBSECTION (A)(1) OR (2) OF THIS**  
15 **SECTION IS LIMITED TO:**

16           **(1) \$2,400 IF FEDERAL ADJUSTED GROSS INCOME FOR THE**  
17 **TAXABLE YEAR DOES NOT EXCEED \$175,000;**

18           **(2) \$1,800 IF FEDERAL ADJUSTED GROSS INCOME FOR THE**  
19 **TAXABLE YEAR IS GREATER THAN \$175,000 BUT NOT GREATER THAN \$200,000;**

20           **(3) \$1,200 IF FEDERAL ADJUSTED GROSS INCOME FOR THE**  
21 **TAXABLE YEAR IS GREATER THAN \$200,000 BUT NOT GREATER THAN \$250,000;**  
22 **AND**

23           **(4) \$600 IF FEDERAL ADJUSTED GROSS INCOME FOR THE**  
24 **TAXABLE YEAR IS GREATER THAN \$250,000.**

25 10-601.

26           Except as PROVIDED IN § 10-105(D) OF THIS TITLE AND EXCEPT AS  
27 otherwise provided in this subtitle, a person shall compute the State income tax by  
28 applying the tax [rate] RATES in § 10-105 of this title to Maryland taxable income.

29 10-704.

30           (a) (1) An individual may claim a credit against the State income tax for a  
31 taxable year in the amount determined under subsection (b) of this section for earned  
32 income.



1           (2) An individual may claim a credit against the county income tax for  
2 a taxable year in the amount determined under subsection (c) of this section for earned  
3 income.

4           (b) (1) Except as provided in paragraph (2) of this subsection and subject  
5 to subsection (d) of this section, the credit allowed against the State income tax under  
6 subsection (a)(1) of this section is the lesser of:

7                   (i) 50% of the earned income credit allowable for the taxable  
8 year under § 32 of the Internal Revenue Code; or

9                   (ii) the State income tax for the taxable year.

10           (2) [(i)] An individual ~~with one or more dependents that may be~~  
11 ~~claimed as exemptions~~ may claim a refund in the amount, if any, by which [the  
12 applicable percentage specified in subparagraph (ii) of this paragraph] **25%** of the  
13 earned income credit allowable **FOR THE TAXABLE YEAR** under § 32 of the Internal  
14 Revenue Code exceeds the State income tax for the taxable year.

15                   [(ii) The applicable percentage of the earned income credit  
16 allowable under § 32 of the Internal Revenue Code to be used for purposes of  
17 determining the refund provided under this paragraph is:

18                           1. 16% for a taxable year beginning after December 31,  
19 2000 but before January 1, 2002;

20                           2. 16% for a taxable year beginning after December 31,  
21 2001 but before January 1, 2003;

22                           3. 18% for a taxable year beginning after December 31,  
23 2002 but before January 1, 2004; and

24                           4. 20% for a taxable year beginning after December 31,  
25 2003.]

26           (c) (1) Except as provided in paragraph (2) of this subsection and subject  
27 to subsection (d) of this section, the credit allowed against the county income tax under  
28 subsection (a)(2) of this section is the lesser of:

29                   (i) the earned income credit allowable for the taxable year  
30 under § 32 of the Internal Revenue Code multiplied by 10 times the county income tax  
31 rate for the taxable year; or

32                   (ii) the county income tax for the taxable year.

1           (2) (i) A county may provide, by law, for a refundable county  
2 earned income credit as provided in this paragraph ~~for individuals having one or more~~  
3 ~~dependents that may be claimed as exemptions.~~

4           (ii) If a county provides for a refundable county earned income  
5 credit under this paragraph, on or before July 1 prior to the beginning of the first  
6 taxable year for which it is applicable, the county shall give the Comptroller notice of  
7 the refundable county earned income credit.

8           (iii) If a county provides for a refundable county earned income  
9 credit under this paragraph, an individual ~~with one or more dependents that may be~~  
10 ~~claimed as exemptions~~ may claim a refund of the amount, if any, by which the product  
11 of multiplying the credit allowable **FOR THE TAXABLE YEAR** under § 32 of the  
12 Internal Revenue Code by [the applicable number specified in subparagraph (iv) of  
13 this paragraph] **5** times the county income tax rate for the taxable year exceeds the  
14 county income tax for the taxable year.

15           (iv) [The applicable number to be multiplied by the county  
16 income tax rate for purposes of determining a refund provided under this paragraph  
17 is:

18                           1.     3.2 for a taxable year beginning after December 31,  
19 2000 but before January 1, 2002;

20                           2.     3.2 for a taxable year beginning after December 31,  
21 2001 but before January 1, 2003;

22                           3.     3.6 for a taxable year beginning after December 31,  
23 2002 but before January 1, 2004; and

24                           4.     4 for a taxable year beginning after December 31,  
25 2003.

26           (v)] The amount of any refunds payable under a refundable  
27 county earned income credit operates to reduce the income tax revenue from  
28 individuals attributable to the county income tax for that county.

29           (d) For an individual who is a nonresident or is a resident of the State for  
30 only a part of the year, the amount of the credit or refund allowed under this section  
31 shall be determined based on the part of the earned income credit allowable for the  
32 taxable year under § 32 of the Internal Revenue Code that is attributable to Maryland,  
33 determined by multiplying the federal earned income credit by a fraction:

34                           (1)    the numerator of which is the Maryland adjusted gross income of  
35 the individual; and

1           (2) the denominator of which is the federal adjusted gross income of  
2 the individual.

3 ~~10-726.~~

4           ~~(A) EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION, IF AN~~  
5 ~~INDIVIDUAL OR A MARRIED COUPLE FILING A JOINT RETURN HAS FEDERAL~~  
6 ~~ADJUSTED GROSS INCOME FOR THE TAXABLE YEAR THAT DOES NOT EXCEED~~  
7 ~~\$30,000, OR \$15,000 IN THE CASE OF A MARRIED INDIVIDUAL FILING A~~  
8 ~~SEPARATE RETURN, THE INDIVIDUAL OR MARRIED COUPLE FILING A JOINT~~  
9 ~~RETURN MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX FOR THE~~  
10 ~~TAXABLE YEAR IN AN AMOUNT EQUAL TO \$50.~~

11           ~~(B) (1) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY~~  
12 ~~TAXABLE YEAR EXCEEDS THE STATE INCOME TAX FOR THAT TAXABLE YEAR, AN~~  
13 ~~INDIVIDUAL MAY CLAIM A REFUND OF THE EXCESS CREDIT.~~

14           ~~(2) FOR PURPOSES OF THIS SUBSECTION, THE STATE INCOME~~  
15 ~~TAX:~~

16           ~~(I) SHALL BE CALCULATED BEFORE THE APPLICATION OF~~  
17 ~~THE CREDITS ALLOWED UNDER THIS SECTION AND §§ 10-701 AND 10-701.1 OF~~  
18 ~~THIS SUBTITLE BUT AFTER THE APPLICATION OF THE OTHER CREDITS~~  
19 ~~ALLOWED UNDER THIS SUBTITLE; AND~~

20           ~~(II) MAY NOT BE LESS THAN ZERO.~~

21           ~~(C) (1) THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT BE~~  
22 ~~CLAIMED BY:~~

23           ~~(I) A FIDUCIARY; OR~~

24           ~~(II) AN INDIVIDUAL WHO MAY BE CLAIMED AS A DEPENDENT~~  
25 ~~ON ANOTHER INDIVIDUAL'S TAX RETURN.~~

26           ~~(2) OF THE CREDIT ALLOWED UNDER THIS SECTION, AN~~  
27 ~~INDIVIDUAL WHO IS A NONRESIDENT OR IS A RESIDENT OF THE STATE FOR~~  
28 ~~ONLY A PART OF THE YEAR SHALL BE ALLOWED A FRACTION:~~

29           ~~(I) THE NUMERATOR OF WHICH IS THE INDIVIDUAL'S~~  
30 ~~MARYLAND ADJUSTED GROSS INCOME; AND~~

31           ~~(II) THE DENOMINATOR OF WHICH IS THE INDIVIDUAL'S~~  
32 ~~FEDERAL ADJUSTED GROSS INCOME.~~

1 10-908.

2 (d) A payor shall withhold from a payment subject to withholding of  
3 winnings derived from wagering:

4 (1) if the payee is a resident, a rate equal to the sum of 3.0% and the  
5 top marginal State income tax rate for individuals under § 10-105(a) of this title,  
6 applied to the payment; and

7 (2) if the payee is a nonresident, a rate equal to the sum of the rate of  
8 the tax imposed under § 10-106.1 of this title and the top marginal State income tax  
9 rate for individuals under § 10-105(a) of this title, applied to the payment.

10 (e) The Board of Trustees of the State Retirement and Pension System shall  
11 withhold from a payment of a death benefit to a resident payee the sum of:

12 (1) [the top marginal State income tax rate for individuals under  
13 § 10-105(a) of this title applied to] **4.75% OF** the payment; and

14 (2) the county income tax rate applied to the payment.

15 (f) If a payment to a resident payee is a designated distribution that is an  
16 eligible rollover distribution within the meaning of § 3405(c) of the Internal Revenue  
17 Code and the payment is subject to mandatory withholding of federal income tax, the  
18 payor shall withhold from the payment [the sum of 3% and the top marginal State  
19 income tax rate for individuals under § 10-105(a) of this title, applied to] **AN AMOUNT**  
20 **EQUAL TO 7.75% OF** the payment.

21 10-912.

22 (c) Except as otherwise provided in this section, in a sale or exchange of real  
23 property and associated tangible personal property owned by a nonresident or  
24 nonresident entity, the deed or other instrument of writing that effects a change of  
25 ownership on the assessment books under the Tax – Property Article may not be  
26 recorded with the clerk of the circuit court for a county or filed with the Department of  
27 Assessments and Taxation unless payment is made to the clerk of the circuit court for  
28 a county or the Department of Assessments and Taxation in an amount equal to:

29 (1) the sum of the rate of the tax imposed under § 10-106.1 of this title  
30 and the top marginal State income tax rate for individuals under § 10-105(a) of this  
31 title, applied to the total payment to a nonresident; or

32 (2) [7%] **THE RATE OF THE TAX FOR A CORPORATION UNDER**  
33 **§ 10-105(B) OF THIS TITLE** of the total payment to a nonresident entity.

34 ~~SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland~~  
35 ~~read as follows:~~

~~Article Tax General~~

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~~4-105.~~

~~(b) If gross receipts subject to the admissions and amusement tax are also subject to the sales and use tax, a county or a municipal corporation may not set a rate so that, when combined with the sales and use tax, the total tax rate will exceed [10%] 11% of the gross receipts.~~

~~11-104.~~

~~(a) Except as otherwise provided in this section, the sales and use tax rate is:~~

~~(1) for a taxable price of less than \$1:~~

~~(i) 1 cent if the taxable price is 20 cents; [and]~~

~~(ii) [1 cent for each additional 20 cents or part of 20 cents; and] 2 CENTS IF THE TAXABLE PRICE IS AT LEAST 21 CENTS BUT LESS THAN 34 CENTS;~~

~~(iii) 3 CENTS IF THE TAXABLE PRICE IS AT LEAST 34 CENTS BUT LESS THAN 51 CENTS;~~

~~(iv) 4 CENTS IF THE TAXABLE PRICE IS AT LEAST 51 CENTS BUT LESS THAN 67 CENTS;~~

~~(v) 5 CENTS IF THE TAXABLE PRICE IS AT LEAST 67 CENTS BUT LESS THAN 84 CENTS; AND~~

~~(vi) 6 CENTS IF THE TAXABLE PRICE IS AT LEAST 84 CENTS; AND~~

~~(2) for a taxable price of \$1 or more:~~

~~(i) [5] 6 cents for each exact dollar; and~~

~~(ii) [1 cent for each 20 cents or part of 20 cents] FOR THAT PART OF A DOLLAR in excess of an exact dollar:~~

~~1. 1 CENT IF THE EXCESS OVER AN EXACT DOLLAR IS AT LEAST 1 CENT BUT LESS THAN 17 CENTS;~~

~~2. 2 CENTS IF THE EXCESS OVER AN EXACT DOLLAR IS AT LEAST 17 CENTS BUT LESS THAN 34 CENTS;~~

1                   ~~3. 3 CENTS IF THE EXCESS OVER AN EXACT DOLLAR~~  
2 ~~IS AT LEAST 34 CENTS BUT LESS THAN 51 CENTS;~~

3                   ~~4. 4 CENTS IF THE EXCESS OVER AN EXACT DOLLAR~~  
4 ~~IS AT LEAST 51 CENTS BUT LESS THAN 67 CENTS;~~

5                   ~~5. 5 CENTS IF THE EXCESS OVER AN EXACT DOLLAR~~  
6 ~~IS AT LEAST 67 CENTS BUT LESS THAN 84 CENTS; AND~~

7                   ~~6. 6 CENTS IF THE EXCESS OVER AN EXACT DOLLAR~~  
8 ~~IS AT LEAST 84 CENTS.~~

9           (b) ~~If a retail sale of tangible personal property or a taxable service is made~~  
10 ~~through a vending or other self-service machine, the sales and use tax rate is [5%]~~  
11 ~~6%, applied to [95.25%] 94.5% of the gross receipts from the vending machine sales.~~

12 ~~11-105.~~

13           (a) (1) ~~Except as provided in [subsections (b) and (c)] SUBSECTION (B) of~~  
14 ~~this section, a vendor who timely files a sales and use tax return is allowed, for the~~  
15 ~~expense of collecting and paying the tax, a credit equal to [0.9%] 0.75% of the gross~~  
16 ~~amount of sales and use tax that the vendor is to pay to the Comptroller.~~

17                   (2) ~~The credit allowed under this section does not apply to any sales~~  
18 ~~and use tax that a vendor is required to pay to the Comptroller for any purchase or use~~  
19 ~~that the vendor makes that is subject to the tax.~~

20           (b) (1) ~~Subject to paragraph (2) of this subsection, the credit allowed~~  
21 ~~under this section is 1.2% of the first \$6,000 of the gross amount of sales and use tax~~  
22 ~~that the vendor is to pay with each return.~~

23                   (2) ~~For a vendor who files or is eligible to file a consolidated return~~  
24 ~~under § 11-502 of this title, the credit allowed under paragraph (1) of this subsection~~  
25 ~~is 1.2% of the first \$6,000 of the gross amount of sales and use tax that the vendor is or~~  
26 ~~would be required to pay with the consolidated return.~~

27           ~~[(c) From July 1, 2004 through June 30, 2006:~~

28                   (1) ~~the credit allowed under subsection (a) of this section is 0.45% of~~  
29 ~~the gross amount of sales and use tax that the vendor is to pay to the Comptroller; and~~

30                   (2) ~~the credit allowed under subsection (b) is:~~

31                           (i) ~~0.6% of the first \$6,000 of the gross amount of sales and use~~  
32 ~~tax that the vendor is to pay with each return; or~~



- 1           ~~(9) credit reporting;~~
- 2           ~~(10) a security service, including:~~
- 3                 ~~(i) a detective, guard, or armored car service; and~~
- 4                 ~~(ii) a security systems service;~~
- 5           ~~(11) a transportation service for transmission, distribution, or delivery~~  
6 ~~of electricity or natural gas, if the sale or use of the electricity or natural gas is subject~~  
7 ~~to the sales and use tax; [or]~~
- 8           ~~(12) a prepaid telephone calling arrangement;~~
- 9           ~~(13) A REAL PROPERTY MANAGEMENT SERVICE; OR~~
- 10           ~~(14) A TANNING, MASSAGE, PHYSICAL FITNESS, SAUNA, OR STEAM~~  
11 ~~BATH FACILITY OR SERVICE.~~
- 12 ~~11-226.~~
- 13           ~~[(a) The sales and use tax does not apply to the sale of the following electric~~  
14 ~~appliances that meet or exceed the applicable Energy Star efficiency requirements~~  
15 ~~developed by the United States Environmental Protection Agency and the United~~  
16 ~~States Department of Energy:~~
- 17                 ~~(1) a clothes washer purchased on or after July 1, 2000, but before~~  
18 ~~July 1, 2003;~~
- 19                 ~~(2) a room air conditioner purchased on or after January 1, 2001, but~~  
20 ~~before July 1, 2004; or~~
- 21                 ~~(3) a standard size refrigerator purchased on or after July 1, 2001, but~~  
22 ~~before July 1, 2004.~~
- 23           ~~(b) The sales and use tax does not apply to the sale, on or before July 1, 2004,~~  
24 ~~of:~~
- 25                 ~~(1) a fuel cell that:~~
- 26                         ~~(i) generates electricity and heat using an electrochemical~~  
27 ~~process;~~
- 28                         ~~(ii) has an electricity only generation efficiency greater than~~  
29 ~~35%; and~~



- 1                   (iii) ~~has a generating capacity of at least 2 kilowatts;~~
- 2                   (2) ~~a natural gas heat pump that has a coefficient of performance of at~~
- 3 ~~least 1.25 for heating and at least 0.70 for cooling;~~
- 4                   (3) ~~an electric heat pump hot water heater that yields an energy factor~~
- 5 ~~of at least 1.7;~~
- 6                   (4) ~~an electric heat pump that has a heating system performance~~
- 7 ~~factor of at least 7.5 and a cooling seasonal energy efficiency ratio of at least 13.5;~~
- 8                   (5) ~~a central air conditioner that has a cooling seasonal energy~~
- 9 ~~efficiency ratio of at least 13.5; or~~
- 10                  (6) ~~an advanced natural gas water heater that has an energy factor of~~
- 11 ~~at least 0.65.]~~

12           (A) (1) ~~IN THIS SUBSECTION, "ENERGY STAR PRODUCT" MEANS AN~~

13 ~~AIR CONDITIONER, CLOTHES WASHER, FURNACE, HEAT PUMP, STANDARD SIZE~~

14 ~~REFRIGERATOR, COMPACT FLUORESCENT LIGHT BULB, DEHUMIDIFIER, OR~~

15 ~~PROGRAMMABLE THERMOSTAT THAT HAS BEEN DESIGNATED AS MEETING OR~~

16 ~~EXCEEDING THE APPLICABLE ENERGY STAR EFFICIENCY REQUIREMENTS~~

17 ~~DEVELOPED BY THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY~~

18 ~~AND THE UNITED STATES DEPARTMENT OF ENERGY.~~

19           (2) ~~THE WEEKEND THAT CONSISTS OF THE FIRST SATURDAY IN~~

20 ~~OCTOBER AND THE FOLLOWING SUNDAY AND THE WEEKEND THAT CONSISTS OF~~

21 ~~THE FIRST SATURDAY IN MAY AND THE FOLLOWING SUNDAY EACH YEAR SHALL~~

22 ~~BE TAX-FREE WEEKENDS DURING WHICH THE EXEMPTION UNDER PARAGRAPH~~

23 ~~(3) OF THIS SUBSECTION SHALL APPLY.~~

24           (3) ~~DURING THE TAX-FREE WEEKENDS ESTABLISHED UNDER~~

25 ~~PARAGRAPH (2) OF THIS SUBSECTION, THE SALES AND USE TAX DOES NOT~~

26 ~~APPLY TO THE SALE OF ANY:~~

27                   (I) ~~ENERGY STAR PRODUCT; OR~~

28                   (H) ~~SOLAR WATER HEATER.~~

29           [(c)] (B) ~~The sales and use tax does not apply to the sale of a multifuel~~

30 ~~pellet stove designed to burn agricultural field corn.~~

31 ~~11-228.~~

32           (a) ~~In this section, "accessory items" includes jewelry, watches, watchbands,~~

33 ~~handbags, handkerchiefs, umbrellas, scarves, ties, headbands, and belt buckles.~~



1 ~~(H) KEEP TUITION AFFORDABLE FOR MARYLAND~~  
2 ~~STUDENTS AND FAMILIES INVEST IN CAPITAL PROJECTS AT PUBLIC SCHOOLS~~  
3 ~~AND PUBLIC HIGHER EDUCATION INSTITUTIONS, INCLUDING COMMUNITY~~  
4 ~~COLLEGES.~~

5 ~~(3) THE FUND IS A SPECIAL, NONLAPSING FUND THAT IS NOT~~  
6 ~~SUBJECT TO § 7-302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.~~

7 ~~(4) THE TREASURER SHALL HOLD THE FUND SEPARATELY AND~~  
8 ~~THE COMPTROLLER SHALL ACCOUNT FOR THE FUND.~~

9 ~~(5) THE PROCEEDS OF THE FUND SHALL BE INVESTED AND~~  
10 ~~REINVESTED.~~

11 ~~(6) ANY INVESTMENT EARNINGS SHALL BE PAID INTO THE FUND.~~

12 ~~(7) THE FUND CONSISTS OF:~~

13 ~~(I) REVENUES FROM THE INCOME TAX ON CORPORATIONS~~  
14 ~~AS PROVIDED IN § 2-613.1 OF THE TAX GENERAL ARTICLE ANY MONEY~~  
15 ~~APPROPRIATED TO THE FUND; AND~~

16 ~~(II) ANY OTHER MONEY FROM ANY OTHER SOURCE~~  
17 ~~ACCEPTED FOR THE BENEFIT OF THE FUND.~~

18 ~~(8) THE COMMISSION SHALL ADMINISTER THE FUND.~~

19 ~~(9) (8) MONEY IN THE FUND MAY BE EXPENDED ONLY:~~

20 ~~(I) TO SUPPLEMENT GENERAL FUND APPROPRIATIONS TO~~  
21 ~~PUBLIC SENIOR HIGHER EDUCATION INSTITUTIONS;~~

22 ~~(II) FOR PUBLIC SENIOR HIGHER EDUCATION CAPITAL~~  
23 ~~PROJECTS; AND~~

24 ~~(III) FOR WORKFORCE DEVELOPMENT INITIATIVES~~  
25 ~~ADMINISTERED BY THE COMMISSION FOR CAPITAL PROJECTS AT PUBLIC~~  
26 ~~SCHOOLS AND PUBLIC HIGHER EDUCATION INSTITUTIONS, INCLUDING~~  
27 ~~COMMUNITY COLLEGES.~~

28 ~~(10) (9) EXPENDITURES FROM THE FUND MAY BE MADE ONLY IN~~  
29 ~~ACCORDANCE WITH AN APPROPRIATION APPROVED BY THE GENERAL~~  
30 ~~ASSEMBLY IN THE ANNUAL STATE BUDGET.~~

1 **2-613.1.**

2 ~~AFTER MAKING THE DISTRIBUTION REQUIRED UNDER § 2-613 OF THIS~~  
3 ~~SUBTITLE, OF THE REMAINING INCOME TAX REVENUE FROM CORPORATIONS,~~  
4 ~~FOR FISCAL YEARS 2008 AND 2009 ONLY, THE COMPTROLLER SHALL~~  
5 ~~DISTRIBUTE MONTHLY:~~

6 ~~(1) 6.25% TO THE HIGHER EDUCATION INVESTMENT FUND~~  
7 ~~ESTABLISHED UNDER § 15-106.6 OF THE EDUCATION ARTICLE; AND~~

8 ~~(2) 6.25% TO THE GASOLINE AND MOTOR VEHICLE REVENUE~~  
9 ~~ACCOUNT IN THE TRANSPORTATION TRUST FUND.~~

10 AFTER MAKING THE DISTRIBUTION REQUIRED UNDER § 2-613 OF THIS  
11 SUBTITLE, THE COMPTROLLER SHALL DISTRIBUTE 20% OF THE REMAINING  
12 INCOME TAX REVENUE FROM CORPORATIONS TO THE GENERAL FUND OF THE  
13 STATE.

14 **2-614.**

15 (a) After making the [distribution] **DISTRIBUTIONS** required under  
16 [§ 2-613] §§ **2-613 AND 2-613.1** of this subtitle, the Comptroller shall distribute  
17 monthly 24% of the remaining income tax revenue from corporations to a special fund  
18 to be distributed as provided in subsection (b) of this section.

19 (b) (1) From the special fund, the Comptroller shall distribute an amount  
20 equal to 24% of the cost to administer the income tax on corporations to an  
21 administrative cost account.

22 (2) After making the distribution required under paragraph (1) of this  
23 subsection, the Comptroller shall distribute the balance in the special fund to the  
24 Gasoline and Motor Vehicle Revenue Account in the Transportation Trust Fund.

25 **2-615.**

26 After making the distributions required under §§ [2-613 and 2-614] **2-613,**  
27 **2-613.1, AND 2-614** of this subtitle, the Comptroller shall distribute the remaining  
28 income tax revenue from corporations to the General Fund of the State.

29 **10-105.**

30 (b) The State income tax rate for a corporation is [7%] ~~8%~~ 8.75% of  
31 Maryland taxable income.

32 **10-210.1.**

1 (b) In addition to the modifications under §§ 10–204 through 10–210 of this  
2 subtitle, to determine Maryland adjusted gross income of an individual:

3 (3) an amount is added to or subtracted from federal adjusted gross  
4 income to reflect the determination of the maximum aggregate costs that the taxpayer  
5 may treat as an expense under § 179 of the Internal Revenue Code for any taxable  
6 year without regard to [the] ANY changes made to that section [by the Jobs and  
7 Growth Tax Relief Reconciliation Act of 2003 (P.L. 108–27), the American Jobs  
8 Creation Act of 2004 (P.L. 108–357), or the Tax Increase Prevention and Reconciliation  
9 Act of 2005 (P.L. 109–222)] **AFTER DECEMBER 31, 2002:**

10 (I) **INCREASING ABOVE \$25,000 THE DOLLAR LIMITATION**  
11 **SET FORTH IN § 179(B)(1) OF THE INTERNAL REVENUE CODE; OR**

12 (II) **INCREASING ABOVE \$200,000 THE PHASE-OUT**  
13 **THRESHOLD SET FORTH IN § 179(B)(2) OF THE INTERNAL REVENUE CODE; and**

14 SECTION ~~5~~ 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
15 read as follows:

16 **Article – Tax – General**

17 **10–402.1.**

18 ~~(A) IN THIS SECTION, “UNITARY GROUP” MEANS AN AFFILIATED GROUP~~  
19 ~~OF CORPORATIONS;~~

20 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE  
21 MEANINGS INDICATED.

22 (2) “COMBINED GROUP” MEANS:

23 ~~(I) ALL MEMBERS OF A UNITARY GROUP THAT ARE~~  
24 ~~SUBJECT TO THE INCOME TAX OR WOULD BE SUBJECT TO THE INCOME TAX IF~~  
25 ~~DOING BUSINESS IN THE STATE; AND~~

26 ~~(II) OTHER MEMBERS OF THE UNITARY GROUP NOT~~  
27 ~~DESCRIBED IN ITEM (I) OF THIS PARAGRAPH, UNDER THE CIRCUMSTANCES AND~~  
28 ~~TO THE EXTENT PROVIDED IN REGULATIONS ADOPTED BY THE COMPTROLLER~~  
29 ~~TO PREVENT THE AVOIDANCE OF TAX OR TO CLEARLY REFLECT INCOME OF ANY~~  
30 ~~MEMBER OF THE COMBINED GROUP FOR ANY PERIOD.~~

31 (3) “UNITARY GROUP” MEANS AN AFFILIATED GROUP OF  
32 CORPORATIONS;

1           ~~(1)~~ (I)     **THAT IS ENGAGED IN A UNITARY BUSINESS; AND**

2           ~~(2)~~ (II)    **MORE THAN 50% OF THE VOTING STOCK OF EACH**  
3 **MEMBER OF WHICH IS DIRECTLY OR INDIRECTLY OWNED BY:**

4                   ~~(1)~~ 1.     **A COMMON OWNER OR COMMON OWNERS, EITHER**  
5 **CORPORATE OR NONCORPORATE; OR**

6                   ~~(H)~~ 2.     **ONE OR MORE MEMBER CORPORATIONS OF THE**  
7 **GROUP.**

8           **(B) WHETHER OR NOT THE ~~UNITARY~~ COMBINED GROUP FILES A**  
9 **COMBINED INCOME TAX RETURN UNDER § 10-811 OF THIS TITLE, A MEMBER OF**  
10 **A ~~UNITARY~~ COMBINED GROUP SHALL COMPUTE ITS MARYLAND TAXABLE**  
11 **INCOME USING THE COMBINED REPORTING METHOD UNDER THIS SECTION.**

12           **(C) UNDER THE COMBINED REPORTING METHOD, IF A CORPORATION IS**  
13 **A MEMBER OF A UNITARY GROUP AND IS SUBJECT TO THE MARYLAND INCOME**  
14 **TAX, THE PART OF THE CORPORATION'S MARYLAND MODIFIED INCOME THAT IS**  
15 **DERIVED FROM OR REASONABLY ATTRIBUTABLE TO TRADE OR BUSINESS**  
16 **CARRIED ON IN THE STATE SHALL BE DETERMINED AS FOLLOWS:**

17                   **(1) DETERMINE THE MARYLAND MODIFIED INCOME OF THE**  
18 **~~UNITARY~~ COMBINED GROUP, BY COMBINING THE CORPORATION'S INCOME WITH**  
19 **THE INCOME OF OTHER MEMBERS OF THE ~~UNITARY~~ COMBINED GROUP,**  
20 **DISREGARDING TRANSACTIONS BETWEEN MEMBERS OF THE ~~UNITARY~~**  
21 **COMBINED GROUP TO ACCURATELY REFLECT THE INCOME OF THE ~~UNITARY~~**  
22 **COMBINED GROUP;**

23                   **(2) DETERMINE THE PART OF THE ~~UNITARY~~ COMBINED GROUP'S**  
24 **MARYLAND MODIFIED INCOME THAT IS DERIVED FROM OR REASONABLY**  
25 **ATTRIBUTABLE TO TRADE OR BUSINESS CARRIED ON IN THE STATE USING A**  
26 **MARYLAND APPORTIONMENT FRACTION OF THE ~~UNITARY~~ COMBINED GROUP,**  
27 **BASED ON NUMERATORS AND DENOMINATORS OF THE PROPERTY, PAYROLL,**  
28 **AND SALES FACTORS UNDER § 10-402 OF THIS SUBTITLE COMPUTED BY**  
29 **COMBINING THOSE AMOUNTS ASSOCIATED WITH THE ACTIVITIES OF THE**  
30 **CORPORATION WITH THE ACTIVITIES OF OTHER MEMBERS OF THE ~~UNITARY~~**  
31 **COMBINED GROUP, DISREGARDING TRANSACTIONS BETWEEN MEMBERS OF THE**  
32 **~~UNITARY~~ COMBINED GROUP TO ACCURATELY REFLECT THE INCOME**  
33 **ALLOCABLE TO MARYLAND; AND**

34                   **(3) FOR EACH MEMBER OF THE ~~UNITARY~~ COMBINED GROUP THAT**  
35 **IS SUBJECT TO THE MARYLAND INCOME TAX, ALLOCATE A PORTION OF THE**  
36 **AMOUNT DETERMINED UNDER ITEM (2) OF THIS SUBSECTION TO THAT**

1 CORPORATION BY MULTIPLYING THE AMOUNT DETERMINED UNDER ITEM (2) OF  
2 THIS SUBSECTION BY A FRACTION:

3 (I) THE NUMERATOR OF WHICH IS THE MARYLAND  
4 APPORTIONMENT FRACTION OF THAT CORPORATION, DETERMINED BY USING  
5 THAT CORPORATION'S MARYLAND FACTORS IN THE NUMERATORS OF THE  
6 APPORTIONMENT FORMULA AND USING THE COMBINED FACTORS OF ALL  
7 MEMBERS OF THE ~~UNITARY~~ COMBINED GROUP IN THE DENOMINATORS OF THE  
8 APPORTIONMENT FORMULA; AND

9 (II) THE DENOMINATOR OF WHICH IS THE SUM OF THE  
10 MARYLAND APPORTIONMENT FRACTIONS OF THE MEMBERS OF THE ~~UNITARY~~  
11 COMBINED GROUP THAT ARE SUBJECT TO THE MARYLAND INCOME TAX.

12 (D) (1) SUBJECT TO REGULATIONS ADOPTED BY THE COMPTROLLER,  
13 A CORPORATION THAT IS PART OF A ~~UNITARY~~ COMBINED GROUP ~~SHALL~~ MAY  
14 ELECT TO DETERMINE ITS INCOME DERIVED FROM OR ATTRIBUTABLE TO  
15 TRADE OR BUSINESS IN THE STATE USING A WATER'S EDGE METHOD AS  
16 DESCRIBED IN THIS SUBSECTION.

17 (2) UNDER THE WATER'S EDGE METHOD, THE ~~UNITARY~~  
18 COMBINED GROUP FOR PURPOSES OF THE COMBINED REPORTING METHOD  
19 REQUIRED UNDER THIS SECTION SHALL INCLUDE ONLY THE FOLLOWING  
20 AFFILIATED ENTITIES:

21 (I) CORPORATIONS THAT ARE INCORPORATED IN THE  
22 UNITED STATES, EXCLUDING CORPORATIONS MAKING AN ELECTION UNDER §§  
23 931 THROUGH 936 OF THE INTERNAL REVENUE CODE;

24 (II) DOMESTIC INTERNATIONAL SALES CORPORATIONS, AS  
25 DESCRIBED IN §§ 991 THROUGH 994 OF THE INTERNAL REVENUE CODE AND  
26 FOREIGN SALES CORPORATIONS AS DESCRIBED IN §§ 921 THROUGH 927 OF THE  
27 INTERNAL REVENUE CODE;

28 (III) ANY CORPORATION, OTHER THAN A BANK, REGARDLESS  
29 OF THE PLACE WHERE IT IS INCORPORATED IF THE AVERAGE OF ITS PROPERTY,  
30 PAYROLL, AND SALES FACTORS WITHIN THE UNITED STATES IS 20% OR MORE;

31 (IV) EXPORT TRADE CORPORATIONS, AS DESCRIBED IN §§  
32 970 THROUGH 972 OF THE INTERNAL REVENUE CODE;

33 (V) A FOREIGN CORPORATION DERIVING GAIN OR LOSS  
34 FROM DISPOSITION OF AN INTEREST IN REAL PROPERTY IN THE UNITED  
35 STATES TO THE EXTENT RECOGNIZED UNDER § 897 OF THE INTERNAL  
36 REVENUE CODE; AND

1                   (VI) UNDER THE CIRCUMSTANCES AND TO THE EXTENT  
2 PROVIDED BY REGULATIONS THAT THE COMPTROLLER ADOPTS:

3                   1. A CORPORATION NOT DESCRIBED IN ITEMS (I)  
4 THROUGH (V) OF THIS PARAGRAPH, TO THE EXTENT OF ITS INCOME DERIVED  
5 FROM OR ATTRIBUTABLE TO SOURCES WITHIN THE UNITED STATES AND ITS  
6 FACTORS ASSIGNABLE TO A LOCATION WITHIN THE UNITED STATES, AS  
7 DETERMINED BY REGULATIONS THAT THE COMPTROLLER ADOPTS; OR

8                   2. AN AFFILIATED CORPORATION THAT IS A  
9 CONTROLLED FOREIGN CORPORATION, AS DEFINED IN § 957 OF THE INTERNAL  
10 REVENUE CODE.

11                   (3) THE USE OF THE WATER'S EDGE METHOD IS SUBJECT TO THE  
12 TERMS AND CONDITIONS THAT THE COMPTROLLER REQUIRES BY REGULATION,  
13 INCLUDING ANY CONDITIONS THAT ARE NECESSARY OR APPROPRIATE TO  
14 PREVENT THE AVOIDANCE OF TAX OR TO CLEARLY REFLECT INCOME FOR ANY  
15 PERIOD.

16                   (E) (1) THE COMPTROLLER SHALL ADOPT REGULATIONS THAT ARE  
17 NECESSARY OR APPROPRIATE TO CARRY OUT THIS SECTION.

18                   (2) THE REGULATIONS ADOPTED BY THE COMPTROLLER SHALL  
19 BE CONSISTENT WITH THE "PRINCIPLES FOR DETERMINING THE EXISTENCE OF  
20 A UNITARY BUSINESS" (REG. IV.1.(B)) ADOPTED BY THE MULTISTATE TAX  
21 COMMISSION.

22 10-811.

23                   (A) [Each member of] EXCEPT AS PROVIDED BY AND SUBJECT TO  
24 REGULATIONS ADOPTED BY THE COMPTROLLER, an affiliated group of  
25 corporations [shall file a separate income tax return] ENGAGED IN A UNITARY  
26 BUSINESS SHALL FILE A COMBINED INCOME TAX RETURN REFLECTING THE  
27 AGGREGATE INCOME TAX LIABILITY OF ALL OF THE MEMBERS OF THE  
28 AFFILIATED GROUP THAT ARE ENGAGED IN A UNITARY BUSINESS.

29                   (B) THE COMPTROLLER SHALL ADOPT REGULATIONS THAT ARE  
30 NECESSARY OR APPROPRIATE TO CARRY OUT THIS SECTION.

31                   SECTION ~~6~~ 4. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
32 read as follows:



1 ~~12-105.~~

2 (a) ~~The tobacco tax rate for cigarettes is:~~

3 (1) ~~[\$0.50] \$1.00 for each package of 10 or fewer cigarettes;~~

4 (2) ~~[\$1.00] \$2.00 for each package of at least 11 and not more than 20~~  
5 ~~cigarettes;~~

6 (3) ~~[\$5.0] 10.0 cents for each cigarette in a package of more than 20~~  
7 ~~cigarettes; and~~

8 (4) ~~[\$5.0] 10.0 cents for each cigarette in a package of free sample~~  
9 ~~cigarettes.~~

10 ~~12-303.~~

11 (b) ~~The Comptroller shall allow a licensed wholesaler a discount of [0.82%]~~  
12 ~~0.41% of the purchase price of tax stamps.~~

### Article - Tax - Property

14 12-110.

15 (d) (1) **THE DEPARTMENT SHALL DEDUCT THE COST OF**  
16 **ADMINISTERING THE RECORDATION TAX FROM THE TAXES COLLECTED UNDER**  
17 **THIS TITLE AND CREDIT THOSE REVENUES TO THE FUND ESTABLISHED UNDER**  
18 **§ 1-203.3 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE.**

19 (2) [The] **AFTER DEDUCTING THE REVENUES REQUIRED UNDER**  
20 **PARAGRAPH (1) OF THIS SUBSECTION, THE** recordation tax collected under [§  
21 12-103(d)] §§ **12-103(D) AND 12-117** of this title shall be paid to the Comptroller.  
22 [After deduction of the cost to the Department of collecting the tax, the] **THE**  
23 **Comptroller shall distribute the revenue to the counties in the ratio that the**  
24 **recordation tax collected in the prior fiscal year in each county bears to the total**  
25 **recordation tax collected in all counties in that year.**

26 **12-117.**

27 (A) (1) **IN THIS SECTION THE FOLLOWING WORDS HAVE THE**  
28 **MEANINGS INDICATED.**

29 (2) **“CONTROLLING INTEREST” MEANS:**

30 (I) **MORE THAN 80% OF THE TOTAL VALUE OF ALL CLASSES**  
31 **OF STOCK OF A CORPORATION;**

1 (II) MORE THAN 80% OF THE TOTAL INTEREST IN CAPITAL  
2 AND PROFITS OF A PARTNERSHIP, ASSOCIATION, LIMITED LIABILITY COMPANY,  
3 OR OTHER UNINCORPORATED FORM OF DOING BUSINESS; OR

4 (III) MORE THAN 80% OF THE BENEFICIAL INTEREST IN A  
5 TRUST.

6 (3) "FINAL TRANSFER" MEANS THAT TRANSFER OF ANY PORTION  
7 OF A CONTROLLING INTEREST THAT COMPLETES THE TRANSFER OF A  
8 CONTROLLING INTEREST IN A REAL PROPERTY ENTITY.

9 (4) (I) "PLAN OF TRANSFER" MEANS AN INTENTIONAL PLAN  
10 OR PROGRAM TO TRANSFER THE CONTROLLING INTEREST IN A REAL PROPERTY  
11 ENTITY.

12 (II) "PLAN OF TRANSFER" DOES NOT INCLUDE A SERIES OF  
13 SALES OF SHARES OF A PUBLICLY TRADED ENTITY.

14 (5) (I) "REAL PROPERTY" MEANS REAL PROPERTY LOCATED  
15 IN THE STATE.

16 (II) "REAL PROPERTY" DOES NOT INCLUDE:

17 1. A LEASEHOLD, UNLESS CREATED BY A LEASE  
18 THAT IS REQUIRED TO BE RECORDED UNDER § 3-101(A) OF THE REAL  
19 PROPERTY ARTICLE; OR

20 2. ANY MORTGAGE, DEED OF TRUST, OR OTHER LIEN  
21 ON OR SECURITY INTEREST IN REAL PROPERTY THAT SECURES AN  
22 INDEBTEDNESS.

23 (6) (I) "REAL PROPERTY ENTITY" MEANS A CORPORATION,  
24 PARTNERSHIP, ASSOCIATION, LIMITED LIABILITY COMPANY, LIMITED LIABILITY  
25 PARTNERSHIP, OTHER UNINCORPORATED FORM OF DOING BUSINESS, OR TRUST  
26 THAT DIRECTLY OR BENEFICIALLY OWNS REAL PROPERTY THAT:

27 1. CONSTITUTES AT LEAST 80% OF THE VALUE OF  
28 ITS ASSETS; AND

29 2. HAS AN AGGREGATE VALUE OF AT LEAST  
30 \$1,000,000.

31 (II) FOR THE PURPOSES OF THIS PARAGRAPH, THE VALUE  
32 OF REAL PROPERTY SHALL BE DETERMINED WITHOUT REDUCTION FOR ANY

1 MORTGAGE, DEED OF TRUST, OR OTHER LIEN ON OR SECURITY INTEREST IN  
2 THE REAL PROPERTY.

3 (III) "REAL PROPERTY ENTITY" DOES NOT INCLUDE AN  
4 ENTITY WITH LAND HOLDINGS THAT, OTHER THAN HOMESITES OR AREAS OF  
5 COMMERCIAL ACTIVITY RELATED TO AGRICULTURAL PRODUCTION, ARE  
6 ENTIRELY SUBJECT TO AN AGRICULTURAL USE ASSESSMENT UNDER § 8-209 OF  
7 THIS ARTICLE.

8 (B) (1) THE RECORDATION TAX IS IMPOSED ON THE TRANSFER OF A  
9 CONTROLLING INTEREST IN A REAL PROPERTY ENTITY, AS IF THE REAL  
10 PROPERTY DIRECTLY OR BENEFICIALLY OWNED BY THE REAL PROPERTY  
11 ENTITY, WAS CONVEYED BY AN INSTRUMENT OF WRITING THAT IS RECORDED  
12 WITH THE CLERK OF THE CIRCUIT COURT FOR A COUNTY OR FILED WITH THE  
13 DEPARTMENT UNDER § 12-102 OF THIS TITLE.

14 (2) (I) THE RECORDATION TAX IS IMPOSED ON THE  
15 CONSIDERATION PAYABLE FOR THE TRANSFER OF THE CONTROLLING INTEREST  
16 IN THE REAL PROPERTY ENTITY.

17 (II) THE CONSIDERATION TO WHICH THE RECORDATION  
18 TAX APPLIES INCLUDES THE AMOUNT OF:

19 1. ANY MORTGAGE, DEED OF TRUST, OR OTHER LIEN  
20 ON OR SECURITY INTEREST IN THE REAL PROPERTY DIRECTLY OR  
21 BENEFICIALLY OWNED BY THE REAL PROPERTY ENTITY; AND

22 2. ANY OTHER DEBT OR ENCUMBRANCE OF THE  
23 REAL PROPERTY ENTITY.

24 (III) THE CONSIDERATION TO WHICH THE RECORDATION  
25 TAX APPLIES IS REDUCED BY THE AMOUNT ALLOCABLE TO THE ASSETS OF THE  
26 REAL PROPERTY ENTITY OTHER THAN REAL PROPERTY.

27 (IV) THE REAL PROPERTY ENTITY HAS THE BURDEN OF  
28 ESTABLISHING TO THE SATISFACTION OF THE DEPARTMENT THE  
29 CONSIDERATION REFERRED TO IN SUBPARAGRAPH (I) OF THIS PARAGRAPH AND  
30 THE AMOUNT OF ANY CONSIDERATION ALLOCABLE TO ASSETS OTHER THAN  
31 REAL PROPERTY REFERRED TO IN SUBPARAGRAPH (III) OF THIS PARAGRAPH.

32 (V) IF THE REAL PROPERTY ENTITY FAILS TO ESTABLISH  
33 THE AMOUNT OF CONSIDERATION REFERRED TO IN SUBPARAGRAPH (I) OF THIS  
34 PARAGRAPH, THE RECORDATION TAX IS IMPOSED ON THE VALUE OF THE REAL  
35 PROPERTY, DIRECTLY OR BENEFICIALLY OWNED BY THE REAL PROPERTY

1 ENTITY, DETERMINED BY THE DEPARTMENT AT THE DATE OF FINALITY  
2 IMMEDIATELY BEFORE THE DATE OF THE FINAL TRANSFER.

3 (3) EXCEPT AS OTHERWISE PROVIDED IN § 12-103(D) OF THIS  
4 TITLE, THE RECORDATION TAX IS APPLIED AT THE RATE SET UNDER  
5 § 12-103(B) OF THIS TITLE BY THE COUNTY WHERE THE REAL PROPERTY IS  
6 LOCATED.

7 (C) (1) THE TRANSFER OF A CONTROLLING INTEREST IN A REAL  
8 PROPERTY ENTITY IS NOT SUBJECT TO RECORDATION TAX IF THE TRANSFER OF  
9 THE REAL PROPERTY BY AN INSTRUMENT OF WRITING BETWEEN THE SAME  
10 PARTIES AND UNDER THE SAME CIRCUMSTANCES WOULD HAVE BEEN EXEMPT  
11 UNDER § 12-108 OF THIS TITLE.

12 (2) THE RECORDATION TAX IS NOT IMPOSED ON THE TRANSFER  
13 OF A CONTROLLING INTEREST IN A REAL PROPERTY ENTITY EFFECTED IN MORE  
14 THAN ONE TRANSACTION IF:

15 (I) THE TRANSFER IS COMPLETED OVER A PERIOD OF  
16 MORE THAN 12 MONTHS; OR

17 (II) THE TRANSFER IS NOT MADE IN ACCORDANCE WITH A  
18 PLAN OF TRANSFER.

19 (3) THE RECORDATION TAX IS NOT IMPOSED ON THE TRANSFER  
20 OF A CONTROLLING INTEREST IN A REAL PROPERTY ENTITY TO ANOTHER  
21 BUSINESS IF THE OWNERSHIP INTERESTS IN THE TRANSFEREE BUSINESS  
22 ENTITY ARE HELD BY THE SAME PERSONS AND IN THE SAME PROPORTION AS IN  
23 THE REAL PROPERTY ENTITY THE CONTROLLING INTEREST OF WHICH WAS  
24 TRANSFERRED.

25 (4) THE RECORDATION TAX IS NOT IMPOSED ON THE TRANSFER  
26 OF A CONTROLLING INTEREST IN A REAL PROPERTY ENTITY IF EACH  
27 TRANSFEROR, EACH TRANSFEREE, AND EACH REAL PROPERTY ENTITY IS:

28 (I) A SUBSIDIARY CORPORATION, ALL OF THE STOCK OF  
29 WHICH IS OWNED, DIRECTLY OR INDIRECTLY, BY A COMMON PARENT  
30 CORPORATION;

31 (II) A PARTNERSHIP, ALL OF THE INTERESTS IN WHICH ARE  
32 OWNED, DIRECTLY OR INDIRECTLY, BY ONE OR MORE SUBSIDIARIES OR THE  
33 COMMON PARENT CORPORATION; OR

34 (III) THE COMMON PARENT CORPORATION.

1           **(5) THE RECORDATION TAX IS NOT IMPOSED ON THE TRANSFER**  
2 **OF A CONTROLLING INTEREST IN A REAL PROPERTY ENTITY IF THE**  
3 **TRANSFeree OF THE CONTROLLING INTEREST IN THE REAL PROPERTY ENTITY**  
4 **IS:**

5                   **(I) A NONSTOCK CORPORATION ORGANIZED UNDER TITLE**  
6 **5, SUBTITLE 2 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE; AND**

7                   **(II) REGISTERED WITH THE DEPARTMENT OF AGING AS A**  
8 **CONTINUING CARE RETIREMENT COMMUNITY UNDER ARTICLE 70B, § 9 OF THE**  
9 **CODE.**

10           **(6) THE REAL PROPERTY ENTITY HAS THE BURDEN OF**  
11 **ESTABLISHING TO THE SATISFACTION OF THE DEPARTMENT THE**  
12 **APPLICABILITY OF ANY EXEMPTION REFERRED TO IN PARAGRAPHS (1)**  
13 **THROUGH (5) OF THIS SUBSECTION.**

14           **(D) (1) THE REAL PROPERTY ENTITY SHALL FILE WITH THE**  
15 **DEPARTMENT A REPORT OF ANY TRANSFER OF A CONTROLLING INTEREST IN**  
16 **THE REAL PROPERTY ENTITY THAT IS COMPLETED WITHIN A PERIOD OF 12**  
17 **MONTHS OR LESS WITHIN 30 DAYS FOLLOWING THE DATE OF THE FINAL**  
18 **TRANSFER.**

19                   **(2) THE REPORT SHALL INCLUDE ALL INFORMATION TO**  
20 **ESTABLISH TO THE SATISFACTION OF THE DEPARTMENT:**

21                           **(I) THE CONSIDERATION REFERRED TO IN SUBSECTION**  
22 **(B)(2)(I) OF THIS SECTION;**

23                           **(II) THE AMOUNT OF ASSETS OTHER THAN REAL ESTATE**  
24 **REFERRED TO IN SUBSECTION (B)(2)(II) OF THIS SECTION; AND**

25                           **(III) ANY EXEMPTION PROVIDED FOR IN SUBSECTION (C) OF**  
26 **THIS SECTION.**

27                   **(3) THE REPORT SHALL BE ACCOMPANIED BY PAYMENT OF:**

28                           **(I) A \$20 FILING FEE; AND**

29                           **(II) ANY TAX, INTEREST, AND PENALTY THAT IS DUE.**

30           **(E) (1) IF ANY TAX DUE UNDER THIS SECTION REMAINS UNPAID FOR**  
31 **30 DAYS AFTER THE DATE OF THE FINAL TRANSFER:**

1                   (I)    INTEREST ON THE UNPAID AMOUNT SHALL ACCRUE  
2   THEREAFTER AT THE RATE OF 1% PER MONTH; AND

3                   (II)   A PENALTY OF 10% OF THE UNPAID AMOUNT SHALL BE  
4   DUE.

5                   (2)    ANY TAX, INTEREST, AND PENALTY DUE UNDER THIS SECTION  
6   IS AN OBLIGATION OF THE REAL PROPERTY ENTITY.

7                   (3)    FOR REASONABLE CAUSE, THE DEPARTMENT MAY WAIVE THE  
8   IMPOSITION OF INTEREST OR PENALTY.

9                   (F)    THIS SECTION DOES NOT APPLY TO:

10                   (1)   A PLEDGE OF STOCK OR OTHER INTEREST IN A REAL  
11   PROPERTY ENTITY AS SECURITY FOR A LOAN; OR

12                   (2)    THE ADMISSION TO THE REAL PROPERTY ENTITY OF  
13   ADDITIONAL SHAREHOLDERS, PARTNERS, BENEFICIAL OWNERS, OR OTHER  
14   MEMBERS INCIDENT TO THE RAISING OF ADDITIONAL CAPITAL THROUGH A  
15   PUBLIC OR PRIVATE OFFERING OF STOCK OR OTHER INTERESTS IN THE REAL  
16   PROPERTY ENTITY IF:

17                   (I)    THE EFFECTIVE MANAGEMENT OF THE REAL PROPERTY  
18   ENTITY IS NOT SUBSTANTIALLY CHANGED; AND

19                   (II)   UNDER THE TERMS OF THE OFFERING, NONE OF THE  
20   NEW MEMBERS IS EXPECTED TO PARTICIPATE IN THE DAY-TO-DAY  
21   MANAGEMENT OF THE REAL PROPERTY ENTITY.

22                   (G)    (1)   THE DEPARTMENT SHALL ADOPT REGULATIONS TO  
23   ADMINISTER THIS SECTION.

24                   (2)    THE REGULATIONS SHALL INCLUDE ANY ADDITIONAL  
25   STANDARDS AND EXEMPTIONS TO ASSURE THAT:

26                   (I)    A TAX IS IMPOSED WHEN A TRANSACTION IS  
27   STRUCTURED INVOLVING A CONTROLLING INTEREST IN A REAL PROPERTY  
28   ENTITY TO AVOID PAYMENT OF THE RECORDATION TAX;

29                   (II)   EXEMPTIONS PROVIDED BY LAW WHEN REAL PROPERTY  
30   IS TRANSFERRED BY AN INSTRUMENT OF WRITING ARE APPLICABLE; AND

31                   (III)   THERE IS NO DOUBLE TAXATION OF A SINGLE  
32   TRANSACTION.

1 **13-103.**

2 (A) IN THIS SECTION, "CONTROLLING INTEREST", "REAL PROPERTY",  
3 AND "REAL PROPERTY ENTITY" HAVE THE MEANINGS STATED IN § 12-117 OF  
4 THIS ARTICLE.

5 (B) (1) THE TAXES UNDER THIS TITLE ARE IMPOSED ON THE  
6 TRANSFER OF A CONTROLLING INTEREST IN A REAL PROPERTY ENTITY AS IF  
7 THE REAL PROPERTY, DIRECTLY OR BENEFICIALLY OWNED BY THE REAL  
8 PROPERTY ENTITY, WAS CONVEYED BY AN INSTRUMENT OF WRITING THAT IS  
9 RECORDED WITH THE CLERK OF THE CIRCUIT COURT FOR A COUNTY OR FILED  
10 WITH THE DEPARTMENT UNDER § 13-202 OF THIS TITLE.

11 (2) THE TAXES UNDER THIS SECTION ARE IMPOSED ON THE  
12 CONSIDERATION PAYABLE FOR THE TRANSFER OF THE CONTROLLING INTEREST  
13 IN THE REAL PROPERTY ENTITY OR ON THE VALUE OF THE REAL PROPERTY  
14 DIRECTLY OR BENEFICIALLY OWNED BY THE REAL PROPERTY ENTITY, AS  
15 PROVIDED IN § 12-117(B)(2) OF THIS ARTICLE.

16 (3) (I) EXCEPT FOR THE COUNTY TRANSFER TAX, THE TAXES  
17 UNDER THIS SECTION SHALL BE APPLIED AT THE RATES ESTABLISHED IN THIS  
18 TITLE.

19 (II) THE COUNTY TRANSFER TAX SHALL BE APPLIED AT THE  
20 RATE IMPOSED BY THE COUNTY WHERE THE REAL PROPERTY IS LOCATED.

21 (C) THE TAXES UNDER THIS TITLE ARE NOT IMPOSED ON THE  
22 TRANSFER OF A CONTROLLING INTEREST IN A REAL PROPERTY ENTITY IN ANY  
23 OF THE CIRCUMSTANCES DESCRIBED:

24 (1) IN § 13-207 OF THIS TITLE THAT EXEMPTS AN INSTRUMENT  
25 OF WRITING FROM THE TRANSFER TAX; OR

26 (2) IN § 12-117(C) OF THIS ARTICLE THAT EXEMPTS THE  
27 TRANSFER OF A CONTROLLING INTEREST IN A REAL PROPERTY ENTITY FROM  
28 THE RECORDATION TAX.

29 (D) IN EACH INSTANCE IN WHICH A CONTROLLING INTEREST IN A REAL  
30 PROPERTY ENTITY IS TRANSFERRED, THE PROVISIONS OF § 12-117(D) AND (E)  
31 OF THIS ARTICLE ARE APPLICABLE.

32 (E) THIS SECTION DOES NOT APPLY IN THE CIRCUMSTANCES  
33 DESCRIBED IN § 12-117(F) OF THIS ARTICLE.

1           **(F) THE DEPARTMENT SHALL ADOPT REGULATIONS TO ADMINISTER**  
 2 **THIS SECTION IN THE SAME MANNER AS IN § 12-117(G) OF THIS ARTICLE.**

3 13-209.

4           **(a) (1) THE DEPARTMENT SHALL DEDUCT THE COST OF**  
 5 **ADMINISTERING THE TRANSFER TAX FROM THE TAXES COLLECTED UNDER THIS**  
 6 **TITLE AND CREDIT THOSE REVENUES TO THE FUND ESTABLISHED UNDER**  
 7 **§ 1-203.3 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE.**

8           **(2) [The] AFTER DEDUCTING THE REVENUES REQUIRED UNDER**  
 9 **PARAGRAPH (1) OF THIS SUBSECTION, THE** revenue from transfer tax is payable to  
 10 the Comptroller for deposit in a special fund.

11           SECTION ~~7~~ 5. AND BE IT FURTHER ENACTED, That, for a taxable year  
 12 beginning after December 31, 2007, but before January 1, 2009:

13           (1) estimated tax payments for an individual or a corporation for the  
 14 taxable year shall reflect the revised income tax rates under § 10-105(a) and (b) of the  
 15 Tax – General Article as enacted under Sections 1 and 4 2 of this Act; and

16           (2) notwithstanding §§ 13-602 and 13-702 of the Tax – General  
 17 Article, the Comptroller shall assess interest and penalties under §§ 13-602 and  
 18 13-702 of the Tax – General Article:

19           (i) if an individual pays estimated income tax for the taxable  
 20 year in an amount that is:

21                           1. less than 90% of the tax required to be shown on the  
 22 return for the current taxable year; and

23                           2. less than ~~135%~~ 125% of the tax paid for the prior  
 24 taxable year, reduced by the credit allowed under § 10-703 of the Tax – General  
 25 Article; or

26           (ii) if a corporation pays estimated income tax for the taxable  
 27 year in an amount that is:

28                           1. less than 90% of the tax required to be shown on the  
 29 return for the current taxable year; and

30                           2. less than ~~125%~~ 137.5% of the tax paid for the prior  
 31 taxable year.

32           ~~SECTION 8. AND BE IT FURTHER ENACTED, That the Comptroller shall~~  
 33 ~~adopt regulations that will exempt from the increase in the rate of the sales and use~~  
 34 ~~tax under § 11-104 of the Tax – General Article as enacted by Section 2 of this Act any~~



~~1 otherwise taxable sales of tangible personal property to contractors or builders to be  
2 used for the construction, repair, or alteration of real property, on contracts entered  
3 into prior to the effective date of the sales and use tax increase under § 11-104 of the  
4 Tax General Article as enacted by Section 2 of this Act. The exemption may be in the  
5 form of a refund, credit, or, to the extent practicable, deduction at the time of sale. The  
6 regulations shall be applicable only with respect to the 1% increase in the rate of the  
7 sales and use tax which becomes effective January 3, 2008.~~

~~8 SECTION 9. AND BE IT FURTHER ENACTED, That all cigarettes used,  
9 possessed, or held in the State on or after January 1, 2008, by any person for sale or  
10 use in the State, shall be subject to the full tobacco tax of \$2 on cigarettes imposed by  
11 this Act. This requirement includes: (1) cigarettes in vending machines or other  
12 mechanical dispensers; and (2) cigarettes (generally referred to as "floor stock") in  
13 packages which already bear stamps issued by the Comptroller under the State  
14 Tobacco Tax Act but for an amount less than the full tax imposed on \$1 for each 10  
15 cigarettes or fractional part thereof; all cigarettes held for sale by any person in the  
16 State on or after January 1, 2008, that bear a stamp issued by the Comptroller of a  
17 value less than \$2 for each pack of 20 cigarettes must be stamped with the additional  
18 stamps necessary to make the aggregate tax value equal to \$2. The Comptroller may  
19 provide an alternative method of collecting the additional tax. The revenue  
20 attributable to this requirement shall be remitted to the Comptroller by April 30,  
21 2008. Except as otherwise provided in this Section, on or after January 1, 2008, no  
22 Maryland stamp shall be used except the stamp issued by the Comptroller to evidence  
23 the tobacco tax on cigarettes of \$2 imposed by this Act.~~

~~24 SECTION 10. AND BE IT FURTHER ENACTED, That it is the intent of the  
25 General Assembly that, if the voters of this State at the next general election to be  
26 held in November 2008 adopt a constitutional amendment that allows the operation of  
27 video lottery gaming in the State:~~

~~28 (1) the Budget Bill for fiscal 2010 include a General Fund  
29 appropriation for the payment of debt service on State bonds in an amount not less  
30 than the amount estimated to be sufficient to allow the Board of Public Works to  
31 establish a property tax rate of 10.2 cents per \$100 of assessed value for real property  
32 other than operating property of a public utility;~~

~~33 (2) the Budget Bill for fiscal 2011 include a General Fund  
34 appropriation for the payment of debt service on State bonds in an amount not less  
35 than the amount estimated to be sufficient to allow the Board of Public Works to  
36 establish a property tax rate of 9.2 cents per \$100 of assessed value for real property  
37 other than operating property of a public utility; and~~

~~38 (3) the Budget Bill for fiscal 2012 include a General Fund  
39 appropriation for the payment of debt service on State bonds in an amount not less  
40 than the amount estimated to be sufficient to allow the Board of Public Works to  
41 establish a property tax rate of 8.2 cents per \$100 of assessed value for real property  
42 other than operating property of a public utility.~~

## HOUSE BILL 2

1 ~~SECTION 11. AND BE IT FURTHER ENACTED, That it is the intent of the~~  
 2 ~~General Assembly that, if the voters of this State at the next general election to be~~  
 3 ~~held in November 2008 adopt a constitutional amendment that allows the operation of~~  
 4 ~~video lottery gaming in the State, the distribution of corporate income tax revenues to~~  
 5 ~~the Higher Education Investment Fund and the Gasoline and Motor Vehicle Revenue~~  
 6 ~~Account in the Transportation Trust Fund required under § 2-613.1 of the Tax~~  
 7 ~~General Article as enacted by Section 4 of this Act continue in fiscal year 2010 and~~  
 8 ~~each subsequent fiscal year.~~

9 SECTION 6. AND BE IT FURTHER ENACTED, That Section 4 of this Act shall  
 10 take effect July 1, 2008, and shall be applicable to all transfers of a controlling interest  
 11 by a real property entity that occur after June 30, 2008.

12 ~~SECTION 12. 7. AND BE IT FURTHER ENACTED, That Sections 1, 4, and 5 2,~~  
 13 ~~and 3 of this Act shall be applicable to all taxable years beginning after December 31,~~  
 14 ~~2007.~~

15 ~~SECTION 13. AND BE IT FURTHER ENACTED, That Section 2 of this Act~~  
 16 ~~shall take effect January 3, 2008.~~

17 ~~SECTION 14. AND BE IT FURTHER ENACTED, That Section 3 of this Act~~  
 18 ~~shall take effect July 1, 2008.~~

19 ~~SECTION 15. 8. AND BE IT FURTHER ENACTED, That, subject to Sections~~  
 20 ~~12 through 14 6 and 7 of this Act, this Act shall take effect January 1, 2008.~~

Approved:

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Governor.

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Speaker of the House of Delegates.

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President of the Senate.