

SENATE BILL 2

Q7, Q3, Q4

8lr0257
CF HB 2

By: **The President (By Request – Administration)**

Introduced and read first time: October 29, 2007

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted with floor amendments

Read second time: November 1, 2007

CHAPTER _____

1 AN ACT concerning

2 **Tax Reform and Transportation Investment 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; altering the definition of “resident” under the
6 Maryland income tax; providing for the application of the income tax rates to
7 nonresidents; altering the amount allowed as a deduction for certain
8 exemptions under the Maryland income tax; altering the amount allowed as a
9 deduction for additional exemptions under the Maryland income tax for certain
10 individuals who as of the last day of the taxable year are blind or are at least a
11 certain age; altering the calculation of the rate of tax that must be paid to the
12 clerk of the circuit court for a county or to the Department of Assessments and
13 Taxation prior to the recording of certain deeds for the sale of certain property;
14 removing a certain restriction on eligibility to claim a refundable earned income
15 credit under certain circumstances; altering the percentage of the federal
16 earned income credit used for determining the amount that certain individuals
17 may claim as a refundable credit under the Maryland earned income credit
18 under certain circumstances; altering eligibility for and the calculation of a
19 refundable county earned income credit if a county provides a refundable county
20 earned income credit; ~~allowing certain individuals having income not exceeding~~
21 ~~certain levels a credit against the State income tax in a certain amount; making~~
22 ~~the credit refundable under certain circumstances~~; imposing a State admissions
23 and amusement tax on the ~~gross receipts~~ net proceeds derived from the
24 operation of certain bingo games and tip jars; providing for the distribution of
25 certain admissions and amusement tax revenue; altering the maximum rate of
26 the admissions and amusement tax that a county or municipal corporation may

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.



1 set for gross receipts that are also subject to the State sales and use tax;
2 altering the rate of the sales and use tax; altering the percentage of gross
3 receipts from vending machine sales to which the sales and use tax rate applies;
4 ~~altering the calculation of~~ imposing a certain limit on a certain credit relating
5 to collecting and paying the sales and use tax; requiring that the Client
6 Protection Fund of the Bar of Maryland impose certain tax clearance
7 requirements on lawyers relating to the payment of certain annual fees;
8 establishing a Chesapeake Bay 2010 Trust Fund in the Department of Natural
9 Resources as a special fund to be used for certain purposes; providing for the
10 distribution of certain property transfer tax and motor vehicle titling tax
11 revenues to the Fund; providing for the distribution of certain sales and use tax
12 revenues to the Transportation Trust Fund; providing for the pledging of certain
13 revenues for certain purposes; increasing the maximum allowable aggregate
14 amount of outstanding and unpaid consolidated transportation bonds and bonds
15 of prior issues; altering the definition of tangible personal property under the
16 sales and use tax to include a right to use certain games of entertainment;
17 altering the definition of “taxable service” under the sales and use tax to impose
18 the tax on certain services; designating ~~certain periods~~ a certain period ~~each~~
19 year in certain fiscal years to be ~~tax-free periods~~ a tax-free period during which
20 an exemption from the sales and use tax is provided for the sale of certain
21 appliances and products that meet or exceed certain applicable energy efficiency
22 guidelines and certain solar water heaters; designating ~~certain periods~~ a certain
23 period ~~each year~~ in certain fiscal years to be ~~tax-free periods~~ a tax-free period
24 during which a certain sales and use tax exemption for the sale of certain
25 clothing or footwear is provided; repealing a prohibition against certain
26 advertisements or statements by vendors regarding the payment of the sales
27 and use tax; authorizing vendors to assume or absorb all or any part of the sales
28 and use tax imposed on a retail sale or use and to pay that sales and use tax on
29 behalf of the buyer; repealing certain sales and use tax exemptions relating to
30 certain computer services; providing that the sales and use tax does not apply to
31 a sale of computer services for use by a certain individual participating in a
32 certain home school program; altering the State income tax rate on the
33 Maryland taxable income of corporations; requiring the Comptroller to
34 distribute certain corporate income tax revenues ~~for certain fiscal years to a~~
35 ~~certain special fund and a certain account in the Transportation Trust Fund to~~
36 ~~the General Fund of the State~~ for certain fiscal years to a certain special fund;
37 requiring that the Comptroller distribute certain income tax revenues to the
38 General Fund of the State; establishing the Higher Education Investment Fund;
39 specifying that the Fund is a special, nonlapsing fund, that the State Treasurer
40 shall hold the Fund separately, and that the Comptroller shall account for the
41 Fund; specifying that the Fund consists of certain revenues and other moneys
42 accepted for certain purposes; requiring certain investment earnings to be
43 credited to the Fund; allowing the Fund to be used only for certain purposes and
44 under certain circumstances; altering a certain modification under the
45 Maryland income tax relating to certain federal tax changes; ~~requiring certain~~
46 ~~corporations to compute Maryland taxable income using a certain method;~~
47 ~~providing that, subject to regulations of the Comptroller, certain groups of~~
48 ~~corporations shall file a combined income tax return reflecting the aggregate~~

1 ~~income tax liability of all of the members of the group; requiring the~~
2 ~~Comptroller to adopt certain regulations; requiring certain regulations to be~~
3 ~~consistent with certain regulations adopted by the Multistate Tax Commission;~~
4 establishing the Maryland Business Tax Reform Commission to review and
5 evaluate the State's current business tax structure and to make certain
6 recommendations; providing for the membership and staffing of the
7 Commission; prohibiting members of the Commission from receiving certain
8 compensation but authorizing the reimbursement of certain expenses; requiring
9 an interim report by a certain date; requiring a final report by a certain date;
10 requiring certain corporations engaged in manufacturing to submit certain
11 reports as part of their income tax returns; requiring an individual to file a copy
12 of the individual's federal income tax return with the Comptroller under certain
13 circumstances; requiring certain corporations to file certain statements with the
14 Comptroller; requiring that certain statements be treated as confidential
15 taxpayer information; requiring the Comptroller to develop and implement a
16 certain enforcement system for certain filing requirements; imposing certain
17 penalties for certain violations; requiring the Comptroller to publish certain
18 names and penalties imposed for certain violations; requiring the Comptroller
19 to collect, compile, and analyze certain information and to use certain
20 information to provide certain analyses to the Governor and General Assembly;
21 requiring the Comptroller to submit certain reports to the Governor and
22 General Assembly; requiring the Comptroller to adopt certain regulations;
23 altering the vehicle excise tax rate for certain motor vehicles, trailers, and
24 semitrailers; altering a definition under the motor vehicle excise tax to reduce
25 the total purchase price on which the tax is calculated by an allowance for
26 certain trade-in considerations; altering the distribution of revenue collected
27 from certain special license tag fees; altering the distribution of revenue
28 collected from certain security interest filing fees; requiring the Governor to
29 include certain appropriations in the budget bill for certain fiscal years;
30 imposing recordation and transfer taxes on the transfer of controlling interest in
31 certain entities owning certain interests in real property in Maryland; requiring
32 the filing of a certain report; providing for a filing fee; establishing the rate of
33 taxation and the method of calculation of tax liability; exempting certain
34 transfers; providing for interest and a penalty for certain filings; requiring the
35 Department of Assessments and Taxation to adopt certain regulations;
36 requiring the Department to deduct and credit certain revenues to a certain
37 fund; altering the tobacco tax rate for cigarettes and certain tobacco intended to
38 be placed in the oral cavity; altering the information required to be stated in a
39 tobacco tax return; ~~altering a certain discount provision under the tobacco tax;~~
40 providing for the application of the tobacco tax to certain cigarettes; altering the
41 application of the tobacco tax to certain cigars weighing no more than a certain
42 amount or meeting certain other criteria for production type, size, content, and
43 cost; providing a certain rate of tax for little cigars; requiring a manufacturer
44 that distributes free sample little cigars in the State to complete and file certain
45 returns and pay certain tax on those little cigars; requiring that little cigars be
46 sold in a certain manner; providing for a certain reduction in the increase of the
47 tobacco tax rate for cigarettes under certain circumstances; requiring the
48 Comptroller to determine the amount of the reduction subject to certain

1 requirements; providing for the distribution of certain sales and use tax revenue
 2 collected for a certain period to a certain special fund; requiring the Comptroller
 3 to assess interest and penalties under certain circumstances for a certain
 4 taxable year; requiring the Comptroller to adopt regulations to exempt from a
 5 certain rate increase certain sales related to contracts entered into prior to a
 6 certain date; ~~stating the intent of the General Assembly that certain general~~
 7 ~~fund appropriations for certain purposes be included in the State budget for~~
 8 ~~certain fiscal years under certain circumstances; stating the intent of the~~
 9 ~~General Assembly that certain distributions of certain revenues continue for~~
 10 ~~certain fiscal years under certain circumstances; stating the intent of the~~
 11 General Assembly that certain corporate income tax revenues be distributed to
 12 the Higher Education Investment Fund beginning in a certain fiscal year under
 13 certain circumstances; defining certain terms; repealing certain obsolete
 14 provisions of law; providing for the effective dates and application of this Act;
 15 and generally relating to Maryland taxes and revenues.

16 BY repealing and reenacting, without amendments,
 17 Article – Tax – General
 18 Section 2-106(c)(3) and (d)(3), 10-207(r), ~~and 10-908(d)~~ 10-908(d), and
 19 12-303(b)
 20 Annotated Code of Maryland
 21 (2004 Replacement Volume and 2007 Supplement)

22 BY repealing and reenacting, with amendments,
 23 Article – Tax – General
 24 Section 2-106(f), 2-202, 2-614, 2-615, 2-1103, 2-1303, 4-105(b),
 25 10-101(k)(1)(i), 10-102.1(d)(1), 10-105, 10-210.1(b)(3), 10-211,
 26 10-402(c)(2)(vi) and (vii), 10-601, 10-704, 10-804(e)(3)(ii) and (iii),
 27 10-908(e) and (f), 10-912(c), ~~11-101(m)~~ 11-101(k)(2) and (m), 10-811,
 28 11-104(a) and (b), 11-105, 11-219, 11-226, 11-228, 11-301, 11-302,
 29 11-402, 11-601(b)(1), 12-101(c), ~~12-105(a)~~ 12-105, and ~~12-303(b)~~
 30 12-201(a), 12-202, and 12-302(a)
 31 Annotated Code of Maryland
 32 (2004 Replacement Volume and 2007 Supplement)

33 BY adding to
 34 Article – Tax – General
 35 ~~Section 2-613.1, 10-402.1, and 10-726~~
 36 Section 2-613.1, 2-1302.2, 4-102(d), 4-105(a-1), 10-110, 10-804.1, 11-101(c-1)
 37 and ~~(e-2)~~, 12-101(b-1) and (b-2)
 38 Annotated Code of Maryland
 39 (2004 Replacement Volume and 2007 Supplement)

40 BY repealing and reenacting, with amendments,
 41 Article – Business Occupations and Professions
 42 Section 10-313
 43 Annotated Code of Maryland
 44 (2004 Replacement Volume and 2007 Supplement)

- 1 BY repealing and reenacting, with amendments,
2 Article – Natural Resources
3 Section 5–903(b)
4 Annotated Code of Maryland
5 (2005 Replacement Volume and 2007 Supplement)
- 6 BY adding to
7 Article – Natural Resources
8 Section 4–209(k), 8–205, and 8–707(d)
9 Annotated Code of Maryland
10 (2005 Replacement Volume and 2007 Supplement)
- 11 BY repealing and reenacting, with amendments,
12 Article – Transportation
13 Section 3–202, 3–215(b), and 8–402
14 Annotated Code of Maryland
15 (2001 Replacement Volume and 2007 Supplement)
- 16 BY repealing and reenacting, with amendments,
17 Article – Transportation
18 Section 13–613(d), 13–809(a)(3), (b)(1), and (c)(1), and 13–814
19 Annotated Code of Maryland
20 (2006 Replacement Volume and 2007 Supplement)
- 21 BY repealing
22 Article – Tax – General
23 Section 2–1104 and 11–225
24 Annotated Code of Maryland
25 (2004 Replacement Volume and 2007 Supplement)
- 26 BY adding to
27 Article – Education
28 Section 15–106.6
29 Annotated Code of Maryland
30 (2006 Replacement Volume and 2007 Supplement)
- 31 BY adding to
32 Article 24 – Political Subdivisions – Miscellaneous Provisions
33 Section 9–1104
34 Annotated Code of Maryland
35 (2005 Replacement Volume and 2007 Supplement)
- 36 BY adding to
37 Article – Environment
38 Section 9–1605.3
39 Annotated Code of Maryland
40 (2007 Replacement Volume and 2007 Supplement)

1 BY repealing

2 Article – Transportation

3 Section 13–208 and 13–613(e)

4 Annotated Code of Maryland

5 (2006 Replacement Volume and 2007 Supplement)

6 BY adding to

7 Article – Commercial Law

8 Section 11–5B–01 through 11–5B–03 to be under the new subtitle “Subtitle 5B.

9 Little Cigar Sales of Fewer Than Five Per Package”

10 Annotated Code of Maryland

11 (2005 Replacement Volume and 2007 Supplement)

12 BY repealing and reenacting, with amendments,

13 Article – Tax – Property

14 Section 12–110(d) and 13–209(a)

15 Annotated Code of Maryland

16 (2007 Replacement Volume)

17 BY adding to

18 Article – Tax – Property

19 Section 12–117 and 13–103

20 Annotated Code of Maryland

21 (2007 Replacement Volume)

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

24 **Article – Tax – General**

25 2–106.

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

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

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

1 10-101.

2 (k) (1) “Resident” means:

3 (i) an individual, other than a fiduciary, who:

4 1. is domiciled in this State on the last day of the taxable
5 year; or

6 2. for more than [6] 3 months of the taxable year,
7 maintained a place of abode in this State, whether domiciled in this State or not;

8 10-102.1.

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

11 (i) a rate equal to the sum of the rate of the tax imposed under
12 § 10-106.1 of this [title] **SUBTITLE** and the top marginal State tax rate for individuals
13 under § 10-105(a)(4) of this subtitle applied to the sum of each nonresident individual
14 member’s distributive share or pro-rata share of a pass-through entity’s nonresident
15 taxable income; and

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

19 10-105.

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

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

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

25 [(3)] (III) 4% of Maryland taxable income of \$2,001 through ~~[\$3,000]~~
26 ~~\$15,000~~ **\$3,000**; [and]

27 (IV) **4.75% OF MARYLAND TAXABLE INCOME OF ~~\$15,001~~**
28 **\$3,001 THROUGH \$150,000;**

29 (V) ~~6%~~ **5% OF MARYLAND TAXABLE INCOME OF \$150,001**
30 **THROUGH \$500,000; AND**

1 [(4)] (VI) [for] ~~6.5%~~ 5.5% OF Maryland taxable income in excess of
2 [\$3,000:] **\$500,000.**

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

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

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

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

11 (v) 4.75% for a taxable year beginning after December 31,
12 2001.]

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

16 (I) **2% OF MARYLAND TAXABLE INCOME OF \$1 THROUGH**
17 **~~\$2,000~~ \$1,000;**

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

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

22 (IV) **4.75% OF MARYLAND TAXABLE INCOME OF ~~\$22,501~~**
23 **\$3,001 THROUGH \$200,000;**

24 (V) **~~6%~~ 5% OF MARYLAND TAXABLE INCOME OF \$200,001**
25 **THROUGH \$500,000; AND**

26 (VI) **~~6.5%~~ 5.5% OF MARYLAND TAXABLE INCOME IN EXCESS**
27 **OF \$500,000.**

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

31 (D) **FOR A NONRESIDENT:**

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

5 (2) THE STATE INCOME TAX IMPOSED EQUALS THE RESULT
6 OBTAINED UNDER ITEM (1) OF THIS SUBSECTION MULTIPLIED TIMES A
7 FRACTION:

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

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

14 10-207.

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

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

22 10-211.

23 Whether or not a federal return is filed, to determine Maryland taxable income,
24 an individual other than a fiduciary may deduct as an exemption:

25 (1) ~~\$2,400~~ **\$2,600** for each exemption that the individual may deduct
26 in the taxable year to determine federal taxable income under § 151 of the Internal
27 Revenue Code[:

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

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

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

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

3 (v) \$2,400 for a taxable year beginning after December 31,
4 2001];

5 (2) **AN ADDITIONAL ~~\$2,400~~ \$2,600** for each dependent, as defined in
6 § 152 of the Internal Revenue Code, who is at least 65 years old on the last day of the
7 taxable year[, an additional:

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

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

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

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

16 (v) \$2,400 for a taxable year beginning after December 31,
17 2001];

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

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

22 10-601.

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

26 10-704.

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

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

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

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

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

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

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

15 1. 16% for a taxable year beginning after December 31,
16 2000 but before January 1, 2002;

17 2. 16% for a taxable year beginning after December 31,
18 2001 but before January 1, 2003;

19 3. 18% for a taxable year beginning after December 31,
20 2002 but before January 1, 2004; and

21 4. 20% for a taxable year beginning after December 31,
22 2003.]

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

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

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

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

33 (ii) If a county provides for a refundable county earned income
34 credit under this paragraph, on or before July 1 prior to the beginning of the first

1 taxable year for which it is applicable, the county shall give the Comptroller notice of
2 the refundable county earned income credit.

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

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

13 1. 3.2 for a taxable year beginning after December 31,
14 2000 but before January 1, 2002;

15 2. 3.2 for a taxable year beginning after December 31,
16 2001 but before January 1, 2003;

17 3. 3.6 for a taxable year beginning after December 31,
18 2002 but before January 1, 2004; and

19 4. 4 for a taxable year beginning after December 31,
20 2003.

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

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

29 (1) the numerator of which is the Maryland adjusted gross income of
30 the individual; and

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

33 ~~10-726.~~

34 ~~(A) EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION, IF AN~~
35 ~~INDIVIDUAL OR A MARRIED COUPLE FILING A JOINT RETURN HAS FEDERAL~~

~~1 ADJUSTED GROSS INCOME FOR THE TAXABLE YEAR THAT DOES NOT EXCEED
2 \$30,000, OR \$15,000 IN THE CASE OF A MARRIED INDIVIDUAL FILING A
3 SEPARATE RETURN, THE INDIVIDUAL OR MARRIED COUPLE FILING A JOINT
4 RETURN MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX FOR THE
5 TAXABLE YEAR IN AN AMOUNT EQUAL TO \$50.~~

~~6 (B) (1) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY
7 TAXABLE YEAR EXCEEDS THE STATE INCOME TAX FOR THAT TAXABLE YEAR, AN
8 INDIVIDUAL MAY CLAIM A REFUND OF THE EXCESS CREDIT.~~

~~9 (2) FOR PURPOSES OF THIS SUBSECTION, THE STATE INCOME
10 TAX:~~

~~11 (I) SHALL BE CALCULATED BEFORE THE APPLICATION OF
12 THE CREDITS ALLOWED UNDER THIS SECTION AND §§ 10-701 AND 10-701.1 OF
13 THIS SUBTITLE BUT AFTER THE APPLICATION OF THE OTHER CREDITS
14 ALLOWED UNDER THIS SUBTITLE; AND~~

~~15 (II) MAY NOT BE LESS THAN ZERO.~~

~~16 (C) (1) THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT BE
17 CLAIMED BY:~~

~~18 (I) A FIDUCIARY; OR~~

~~19 (II) AN INDIVIDUAL WHO MAY BE CLAIMED AS A DEPENDENT
20 ON ANOTHER INDIVIDUAL'S TAX RETURN.~~

~~21 (2) OF THE CREDIT ALLOWED UNDER THIS SECTION, AN
22 INDIVIDUAL WHO IS A NONRESIDENT OR IS A RESIDENT OF THE STATE FOR
23 ONLY A PART OF THE YEAR SHALL BE ALLOWED A FRACTION:~~

~~24 (I) THE NUMERATOR OF WHICH IS THE INDIVIDUAL'S
25 MARYLAND ADJUSTED GROSS INCOME; AND~~

~~26 (II) THE DENOMINATOR OF WHICH IS THE INDIVIDUAL'S
27 FEDERAL ADJUSTED GROSS INCOME.~~

28 10-908.

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

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

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

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

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

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

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

18 10–912.

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

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

29 (2) [7%] **THE RATE OF THE TAX FOR A CORPORATION UNDER**
30 **§ 10–105(B) OF THIS TITLE** of the total payment to a nonresident entity.

31 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
32 read as follows:

33 **Article – Tax – General**

34 2–202.

1 After making the distribution required under § 2–201 of this subtitle, within 20
2 days after the end of each quarter, the Comptroller shall distribute:

3 (1) THE REVENUE FROM THE STATE ADMISSIONS AND
4 AMUSEMENT TAX ON ELECTRONIC BINGO AND ELECTRONIC TIP JARS UNDER §
5 4–102(D) OF THIS ARTICLE TO THE GENERAL FUND OF THE STATE; AND

6 (2) the remaining admissions and amusement tax revenue:

7 [(1)] (I) to the Maryland Stadium Authority, county, or municipal
8 corporation that is the source of the revenue; or

9 [(2)] (II) if the Maryland Stadium Authority and also a county or
10 municipal corporation tax a reduced charge or free admission:

11 [(i)] 1. 80% of that revenue to the Authority; and

12 [(ii)] 2. 20% to the county or municipal corporation.

13 4–102.

14 (D) (1) IN THIS SUBSECTION, “NET PROCEEDS” MEANS THE TOTAL
15 RECEIPTS FROM THE OPERATION OF AN ELECTRONIC BINGO MACHINE OR
16 ELECTRONIC TIP JAR MACHINE LESS THE AMOUNT OF MONEY WINNINGS OR
17 PRIZES PAID OUT TO PLAYERS.

18 (2) A STATE TAX IS IMPOSED ON THE ~~GROSS RECEIPTS~~ NET
19 PROCEEDS DERIVED FROM ANY CHARGE FOR THE OPERATION OF AN
20 ELECTRONIC BINGO MACHINE PERMITTED UNDER A COMMERCIAL BINGO
21 LICENSE OR AN ELECTRONIC TIP JAR MACHINE AUTHORIZED UNDER TITLE 13
22 OF THE CRIMINAL LAW ARTICLE THAT IS OPERATED FOR COMMERCIAL
23 PURPOSES.

24 4–105.

25 (A–1) THE RATE OF THE STATE ADMISSIONS AND AMUSEMENT TAX
26 IMPOSED ON ELECTRONIC BINGO OR ELECTRONIC TIP JARS UNDER § 4–102(D)
27 OF THIS SUBTITLE IS 20% OF THE ~~GROSS RECEIPTS~~ NET PROCEEDS SUBJECT TO
28 THE TAX.

29 (b) If gross receipts subject to the admissions and amusement tax are also
30 subject to the sales and use tax, a county or a municipal corporation may not set a rate
31 so that, when combined with the sales and use tax, the total tax rate will exceed [10%]
32 11% of the gross receipts.

1 11-104.

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

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

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

5 (ii) [1 cent for each additional 20 cents or part of 20 cents; and]
6 **2 CENTS IF THE TAXABLE PRICE IS AT LEAST 21 CENTS BUT LESS THAN 34**
7 **CENTS;**

8 **(III) 3 CENTS IF THE TAXABLE PRICE IS AT LEAST 34 CENTS**
9 **BUT LESS THAN 51 CENTS;**

10 **(IV) 4 CENTS IF THE TAXABLE PRICE IS AT LEAST 51 CENTS**
11 **BUT LESS THAN 67 CENTS;**

12 **(V) 5 CENTS IF THE TAXABLE PRICE IS AT LEAST 67 CENTS**
13 **BUT LESS THAN 84 CENTS; AND**

14 **(VI) 6 CENTS IF THE TAXABLE PRICE IS AT LEAST 84 CENTS;**
15 **AND**

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

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

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

20 **1. 1 CENT IF THE EXCESS OVER AN EXACT DOLLAR IS**
21 **AT LEAST 1 CENT BUT LESS THAN 17 CENTS;**

22 **2. 2 CENTS IF THE EXCESS OVER AN EXACT DOLLAR**
23 **IS AT LEAST 17 CENTS BUT LESS THAN 34 CENTS;**

24 **3. 3 CENTS IF THE EXCESS OVER AN EXACT DOLLAR**
25 **IS AT LEAST 34 CENTS BUT LESS THAN 51 CENTS;**

26 **4. 4 CENTS IF THE EXCESS OVER AN EXACT DOLLAR**
27 **IS AT LEAST 51 CENTS BUT LESS THAN 67 CENTS;**

28 **5. 5 CENTS IF THE EXCESS OVER AN EXACT DOLLAR**
29 **IS AT LEAST 67 CENTS BUT LESS THAN 84 CENTS; AND**

1 **6. 6 CENTS IF THE EXCESS OVER AN EXACT DOLLAR**
 2 **IS AT LEAST 84 CENTS.**

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

6 11–105.

7 (a) (1) Except as provided in [subsections (b) and (c)] **SUBSECTION (B)** of
 8 this section, a vendor who timely files a sales and use tax return is allowed, for the
 9 expense of collecting and paying the tax, a credit equal to **THE LESSER OF:**

10 **(I)** ~~0.9%~~ **0.75%** of the gross amount of sales and use tax that
 11 the vendor is to pay to the Comptroller; **OR**

12 **(II)** **\$1,000 FOR EACH RETURN.**

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

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

19 (2) For a vendor who files or is eligible to file a consolidated return
 20 under § 11–502 of this title;

21 **(I)** the credit allowed under paragraph (1) of this subsection is
 22 1.2% of the first \$6,000 of the gross amount of sales and use tax that the vendor is or
 23 would be required to pay with the consolidated return; **AND**

24 **(II)** **THE TOTAL MAXIMUM CREDIT THAT THE VENDOR IS**
 25 **ALLOWED UNDER THIS SECTION FOR ALL RETURNS FILED FOR ANY PERIOD IS**
 26 **\$1,000.**

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:

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

3 (ii) for a vendor described in subsection (b)(2) of this section,
4 0.6% of the first \$6,000 of the gross amount of sales and use tax that the vendor is or
5 would be required to pay with the consolidated return.]

6 11-301.

7 The sales and use tax is computed on:

8 (1) the taxable price of each separate sale;

9 (2) if a combined sale is made, the combined taxable price of all retail
10 sales on the same occasion by the same vendor to the same buyer; or

11 (3) if retail sales of tangible personal property or a taxable service are
12 made through vending or other self-service machines, [95.25%] **94.5%** of the gross
13 receipts from the retail sales.

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

16 **Article - Natural Resources**

17 **5-903.**

18 (b) Of the remaining funds not appropriated under subsection (a)(1) of this
19 section, the General Assembly shall appropriate the other half of the funds AS
20 **FOLLOWS:**

21 (1) **\$21,000,000 TO THE CHESAPEAKE BAY 2010 TRUST FUND**
22 **ESTABLISHED UNDER § 8-205 OF THIS ARTICLE; AND**

23 (2) **THE REMAINDER to assist local governing bodies in acquisition**
24 **and development of land for recreation and open space purposes.**

25 **8-205.**

26 (A) **THERE IS A CHESAPEAKE BAY 2010 TRUST FUND.**

27 (B) **THE PURPOSE OF THE FUND IS TO PROVIDE THE FINANCIAL**
28 **ASSISTANCE NECESSARY TO MEET, BY 2010, THE GOALS ESTABLISHED IN THE**
29 **CHESAPEAKE 2000 AGREEMENT AND APPROVED BY AN ACT OF THE GENERAL**
30 **ASSEMBLY FOR THE RESTORATION OF THE CHESAPEAKE BAY AND ITS**
31 **TRIBUTARIES, INCLUDING THE PATUXENT RIVER.**

1 **(C) THE SECRETARY SHALL ADMINISTER THE FUND.**

2 **(D) (1) THE FUND IS A SPECIAL, NONLAPSING FUND THAT IS NOT**
3 **SUBJECT TO § 7-302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.**

4 **(2) THE TREASURER SHALL HOLD THE FUND SEPARATELY, AND**
5 **THE COMPTROLLER SHALL ACCOUNT FOR THE FUND.**

6 **(E) THE FUND CONSISTS OF:**

7 **(1) MONEY APPROPRIATED IN THE STATE BUDGET FOR THE**
8 **FUND;**

9 **(2) MONEY DISTRIBUTED TO THE FUND UNDER § 5-903(B)(1) OF**
10 **THIS ARTICLE;**

11 **(3) MONEY DISTRIBUTED TO THE FUND UNDER § 13-814(A) OF**
12 **THE TRANSPORTATION ARTICLE; AND**

13 **(4) ANY OTHER MONEY FROM ANY OTHER SOURCE ACCEPTED**
14 **FOR THE BENEFIT OF THE FUND.**

15 **(F) THE FUND MAY BE USED ONLY FOR THE IMPLEMENTATION OF THE**
16 **STATE'S TRIBUTARY STRATEGY DEVELOPED IN ACCORDANCE WITH THE**
17 **CHESAPEAKE 2000 AGREEMENT.**

18 **(G) (1) THE TREASURER SHALL INVEST THE MONEY OF THE FUND IN**
19 **THE SAME MANNER AS OTHER STATE MONEY MAY BE INVESTED.**

20 **(2) ANY INVESTMENT EARNINGS OF THE FUND SHALL BE**
21 **RETAINED TO THE CREDIT OF THE FUND.**

22 **(H) MONEY EXPENDED FROM THE FUND FOR THE RESTORATION OF**
23 **THE CHESAPEAKE BAY AND ITS TRIBUTARIES, INCLUDING THE PATUXENT**
24 **RIVER, IS SUPPLEMENTAL TO AND IS NOT INTENDED TO TAKE THE PLACE OF**
25 **FUNDING THAT OTHERWISE WOULD BE APPROPRIATED FOR BAY RESTORATION.**

26 **Article - Tax - General**

27 **2-1302.2.**

28 **AFTER MAKING THE DISTRIBUTIONS REQUIRED UNDER §§ 2-1301**
29 **THROUGH 2-1302.1 OF THIS SUBTITLE, THE COMPTROLLER SHALL PAY 8.3% OF**
30 **THE REMAINING SALES AND USE TAX REVENUE TO THE TRANSPORTATION**

1 TRUST FUND ESTABLISHED UNDER § 3-216 OF THE TRANSPORTATION
2 ARTICLE.

3 2-1303.

4 After making the distributions required under §§ 2-1301 through [2-1302.1]
5 2-1302.2 of this subtitle, the Comptroller shall pay:

6 (1) revenues from the hotel surcharge into the Dorchester County
7 Economic Development Fund established under Article 83A, § 5-216 of the Code; and

8 (2) the remaining sales and use tax revenue into the General Fund of
9 the State.

10 Article - Transportation

11 3-202.

12 (a) The Department from time to time may issue its bonds on behalf of this
13 State to finance the cost of any one or more or combination of transportation facilities.

14 (b) The bonds shall be known as “consolidated transportation bonds” and
15 may be issued in any amount as long as the aggregate outstanding and unpaid
16 principal balance of these bonds and bonds of prior issues does not exceed at any one
17 time the sum of [\$2.0] **\$3.0** billion.

18 (c) The maximum outstanding and unpaid principal balance of consolidated
19 transportation bonds and bonds of prior issues as of June 30 for the next fiscal year:

20 (1) Shall be established each year by the General Assembly in the
21 State budget; and

22 (2) May not exceed the limit established in subsection (b) of this
23 section.

24 3-215.

25 (b) The tax levied and imposed by this section consists of that part of the
26 following taxes that are retained to the credit of the Department after distributions to
27 the political subdivisions:

28 (1) The motor fuel tax revenue distributed under §§ 2-1103(2) and
29 2-1104(4) of the Tax – General Article;

30 (2) The income tax revenue distributed under § 2-614 of the Tax –
31 General Article;

1 (3) The REVENUES FROM THE excise tax imposed on vehicles by Part
2 II of Title 13, Subtitle 8 of this article DISTRIBUTED UNDER § 13-814(B) OF THIS
3 ARTICLE; and

4 (4) The sales and use tax revenues distributed under [§ 2-1302.1] §§
5 2-1302.1 AND 2-1302.2 of the Tax – General Article.

6 8-402.

7 (a) There is a Gasoline and Motor Vehicle Revenue Account in the
8 Transportation Trust Fund.

9 (b) All revenues collected from the following, after deductions provided by
10 law, shall be credited to the Gasoline and Motor Vehicle Revenue Account:

11 (1) All of the motor vehicle fuel tax;

12 (2) Except as otherwise provided by law, THE EXCESS OVER
13 \$76,000,000 OF 80 percent of the vehicle titling tax DISTRIBUTED TO THE
14 TRANSPORTATION TRUST FUND UNDER § 13-814 OF THIS ARTICLE;

15 (3) Except for revenues collected under Parts III and IV of Title 13,
16 Subtitle 9 of this article, vehicle registration fees;

17 (4) The revenue disbursed to this account under § 2-614 of the Tax –
18 General Article; and

19 (5) 80 percent of the funds distributed on short-term vehicle rentals
20 under § 2-1302.1 of the Tax – General Article to the Transportation Trust Fund from
21 the sales and use tax.

22 (c) (1) During each fiscal year, the Account shall be used to pay the
23 allocations of highway user revenues provided by this subtitle to the counties,
24 municipalities, and Baltimore City; and

25 (2) The balance of the Account may be used as provided in § 3-216 of
26 this article.

27 13-814.

28 (A) FOR THE FISCAL YEAR BEGINNING JULY 1, 2008, AND EACH
29 SUBSEQUENT FISCAL YEAR, FROM THE MONEY COLLECTED UNDER THIS PART,
30 \$30,000,000 SHALL BE DISTRIBUTED TO THE CHESAPEAKE BAY 2010 TRUST
31 FUND ESTABLISHED UNDER § 8-205 OF THE NATURAL RESOURCES ARTICLE.

1 (III) COMPUTER SYSTEM PLANNING AND DESIGN THAT
 2 INTEGRATE COMPUTER HARDWARE, SOFTWARE, AND COMMUNICATION
 3 TECHNOLOGIES;

4 (IV) COMPUTER DISASTER RECOVERY; AND

5 (V) HARDWARE OR SOFTWARE INSTALLATION OR
 6 MAINTENANCE.

7 (2) “COMPUTER SERVICE” DOES NOT INCLUDE:

8 (I) DATA PROCESSING OR ENTRY; OR

9 (II) COMPUTER TRAINING.

10 ~~(C-2) “LANDSCAPING SERVICE” DOES NOT INCLUDE A SERVICE~~
 11 ~~PERFORMED TO REAL PROPERTY AS PART OF THE CONSTRUCTION,~~
 12 ~~ALTERATION, REPAIR, DECORATION, OR IMPROVEMENT OF A STRUCTURE IF~~
 13 ~~THE CONSTRUCTION, ALTERATION, REPAIR, DECORATION, OR IMPROVEMENT~~
 14 ~~IS PROPERLY CAPITALIZED USING ACCEPTABLE AND CONSISTENT~~
 15 ~~ACCOUNTING STANDARDS.~~

16 (k) (2) “Tangible personal property” includes:

17 (i) farm equipment;

18 (ii) wall-to-wall carpeting that is installed into real estate,
 19 regardless of the purpose, method, or permanency of its installation; [and]

20 (iii) coal, electricity, oil, nuclear fuel assemblies, steam, and
 21 artificial or natural gas; AND

22 (IV) A RIGHT TO USE A VIDEO GAME OR OTHER GAME OF
 23 ENTERTAINMENT AT AN ARCADE.

24 (m) “Taxable service” means:

25 (1) fabrication, printing, or production of tangible personal property by
 26 special order;

27 (2) commercial cleaning or laundering of textiles for a buyer who is
 28 engaged in a business that requires the recurring service of commercial cleaning or
 29 laundering of the textiles;

30 (3) cleaning of a commercial or industrial building;

- 1 (4) cellular telephone or other mobile telecommunications service;
- 2 (5) “900”, “976”, “915”, and other “900”-type telecommunications
3 service;
- 4 (6) custom calling service provided in connection with basic telephone
5 service;
- 6 (7) a telephone answering service;
- 7 (8) pay per view television service;
- 8 (9) credit reporting;
- 9 (10) a security service, including:
- 10 (i) a detective, guard, or armored car service; and
- 11 (ii) a security systems service;
- 12 (11) a transportation service for transmission, distribution, or delivery
13 of electricity or natural gas, if the sale or use of the electricity or natural gas is subject
14 to the sales and use tax; [or]
- 15 (12) a prepaid telephone calling arrangement; **OR**
- 16 ~~(13) A REAL PROPERTY MANAGEMENT SERVICE; OR~~
- 17 ~~(14) A TANNING, MASSAGE, PHYSICAL FITNESS, SAUNA, OR STEAM~~
18 ~~BATH FACILITY OR SERVICE.~~
- 19 (13) A COMPUTER SERVICE; OR
- 20 (14) A LANDSCAPING SERVICE.

21 11-219.

22 (a) The sales and use tax does not apply to a personal, professional, or
23 insurance service that:

24 (1) is not a taxable service; and

25 (2) involves a sale as an inconsequential element for which no
26 separate charge is made.

27 (b) The sales and use tax does not apply to a sale of COMPUTER SERVICES
28 FOR USE BY AN INDIVIDUAL PARTICIPATING IN A HOME SCHOOL PROGRAM AS

1 AN ALTERNATIVE TO ATTENDANCE AT PUBLIC OR PRIVATE SCHOOL FOR
2 ELEMENTARY OR SECONDARY EDUCATION. [custom computer software services
3 relating to procedures and programs that:

4 (1) otherwise are taxable under this title;

5 (2) are to be used by a specific person;

6 (3) (i) are created for that person; or

7 (ii) contain standard or proprietary routines that incorporate
8 significant creative input to customize the procedures and programs for that person;
9 and

10 (4) do not constitute a program, procedure, or documentation that is
11 mass produced and sold to:

12 (i) the general public; or

13 (ii) persons associated in a trade, profession, or industry.

14 (c) The sales and use tax does not apply to the sale of an optional computer
15 software maintenance contract if the buyer does not have a right, as part of the
16 contract, to receive at no additional cost software products that are separately priced
17 and marketed by the vendor.]

18 [(d)] ~~(B)~~ (C) The sales and use tax does not apply to the use of a taxable service
19 obtained by using a prepaid telephone calling arrangement.

20 [11-225.

21 (a) In this section, “computer program” means a set of statements or
22 instructions to be used directly or indirectly in a computer in order to bring about a
23 certain result.

24 (b) The sales and use tax does not apply to a sale of a computer program that
25 is legally permitted to be and is intended to be:

26 (1) reproduced for sale; or

27 (2) incorporated in whole or in part into another computer program
28 intended for sale.]

29 11-226.

30 (a) The sales and use tax does not apply to the sale of the following electric
31 appliances that meet or exceed the applicable Energy Star efficiency requirements

1 developed by the United States Environmental Protection Agency and the United
2 States Department of Energy:

3 (1) a clothes washer purchased on or after July 1, 2000, but before
4 July 1, 2003;

5 (2) a room air conditioner purchased on or after January 1, 2001, but
6 before July 1, 2004; or

7 (3) a standard size refrigerator purchased on or after July 1, 2001, but
8 before July 1, 2004.

9 (b) The sales and use tax does not apply to the sale, on or before July 1, 2004,
10 of:

11 (1) a fuel cell that:

12 (i) generates electricity and heat using an electrochemical
13 process;

14 (ii) has an electricity-only generation efficiency greater than
15 35%; and

16 (iii) has a generating capacity of at least 2 kilowatts;

17 (2) a natural gas heat pump that has a coefficient of performance of at
18 least 1.25 for heating and at least 0.70 for cooling;

19 (3) an electric heat pump hot water heater that yields an energy factor
20 of at least 1.7;

21 (4) an electric heat pump that has a heating system performance
22 factor of at least 7.5 and a cooling seasonal energy efficiency ratio of at least 13.5;

23 (5) a central air conditioner that has a cooling seasonal energy
24 efficiency ratio of at least 13.5; or

25 (6) an advanced natural gas water heater that has an energy factor of
26 at least 0.65.]

27 (A) (1) IN THIS SUBSECTION, "ENERGY STAR PRODUCT" MEANS AN
28 AIR CONDITIONER, CLOTHES WASHER OR DRYER, FURNACE, HEAT PUMP,
29 STANDARD SIZE REFRIGERATOR, COMPACT FLUORESCENT LIGHT BULB,
30 DEHUMIDIFIER, OR PROGRAMMABLE THERMOSTAT THAT HAS BEEN
31 DESIGNATED AS MEETING OR EXCEEDING THE APPLICABLE ENERGY STAR
32 EFFICIENCY REQUIREMENTS DEVELOPED BY THE UNITED STATES

1 ENVIRONMENTAL PROTECTION AGENCY AND THE UNITED STATES
2 DEPARTMENT OF ENERGY.

3 (2) ~~THE BEGINNING IN CALENDAR YEAR 2011, THE WEEKEND~~
4 ~~THAT CONSISTS OF THE FIRST SATURDAY IN OCTOBER AND THE FOLLOWING~~
5 ~~SUNDAY AND THE WEEKEND THAT CONSISTS OF THE FIRST SATURDAY IN MAY~~
6 ~~AND THE FOLLOWING SUNDAY~~ SATURDAY IMMEDIATELY PRECEDING THE
7 THIRD MONDAY IN FEBRUARY THROUGH THE THIRD MONDAY IN FEBRUARY
8 EACH YEAR SHALL BE TAX-FREE WEEKENDS A TAX-FREE WEEKEND DURING
9 WHICH THE EXEMPTION UNDER PARAGRAPH (3) OF THIS SUBSECTION SHALL
10 APPLY.

11 (3) DURING THE TAX-FREE WEEKENDS WEEKEND ESTABLISHED
12 UNDER PARAGRAPH (2) OF THIS SUBSECTION, THE SALES AND USE TAX DOES
13 NOT APPLY TO THE SALE OF ANY:

14 (I) ENERGY STAR PRODUCT; OR

15 (II) SOLAR WATER HEATER.

16 [(c)] (B) The sales and use tax does not apply to the sale of a multifuel
17 pellet stove designed to burn agricultural field corn.

18 11-228.

19 (a) In this section, "accessory items" includes jewelry, watches, watchbands,
20 handbags, handkerchiefs, umbrellas, scarves, ties, headbands, and belt buckles.

21 (b) (1) ~~The BEGINNING IN CALENDAR YEAR 2010, THE~~ [5-day period
22 from August 23, 2006 through August 27, 2006,] 7-DAY PERIOD FROM THE SECOND
23 SUNDAY IN AUGUST THROUGH THE FOLLOWING SATURDAY AND THE 7-DAY
24 PERIOD FROM THE FIRST SUNDAY IN MAY THROUGH THE FOLLOWING
25 SATURDAY shall be ~~for~~ a tax-free period for
26 back-to-school] ~~TAX-FREE PERIODS FOR~~ shopping in Maryland during which the
27 exemption under paragraph (2) of this subsection shall apply.

28 (2) During the tax-free ~~period for back-to-school]~~ ~~PERIODS FOR~~
29 shopping established under paragraph (1) of this subsection, the sales and use tax
30 does not apply to the sale of any item of clothing or footwear, excluding accessory
31 items, if the taxable price of the item of clothing or footwear is \$100 or less.

32 11-302.

33 For each retail sale or sale for use other than a sale under § 11-405 or § 11-406
34 of this title, the sales and use tax shall be:

1 (2) "FUND" MEANS THE HIGHER EDUCATION INVESTMENT
2 FUND.

3 (3) "TUITION" MEANS THE CHARGES AND FEES APPROVED BY
4 THE GOVERNING BOARD OF A PUBLIC SENIOR HIGHER EDUCATION INSTITUTION
5 WHICH ARE REQUIRED OF ALL UNDERGRADUATE RESIDENT STUDENTS BY THE
6 INSTITUTION AS A CONDITION OF ENROLLMENT REGARDLESS OF THE
7 STUDENT'S DEGREE PROGRAM, FIELD OF STUDY, OR SELECTED COURSES.

8 (B) (1) THERE IS A HIGHER EDUCATION INVESTMENT FUND.

9 (2) THE PURPOSE OF THE FUND IS TO:

10 (I) INVEST IN PUBLIC HIGHER EDUCATION AND
11 WORKFORCE DEVELOPMENT; AND

12 (II) KEEP TUITION AFFORDABLE FOR MARYLAND
13 STUDENTS AND FAMILIES.

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

16 (4) THE TREASURER SHALL HOLD THE FUND AND THE
17 COMPTROLLER SHALL ACCOUNT FOR THE FUND.

18 (5) THE PROCEEDS OF THE FUND SHALL BE INVESTED AND
19 REINVESTED.

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

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

22 ~~(I) REVENUES FROM THE INCOME TAX ON CORPORATIONS~~
23 ~~AS PROVIDED IN § 2-613.1 OF THE TAX GENERAL ARTICLE; AND~~

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

26 (7) THE FUND CONSISTS OF:

27 (I) MONEY APPROPRIATED IN THE STATE BUDGET FOR
28 THE FUND; AND

29 (II) ANY OTHER MONEY FROM ANY OTHER SOURCE
30 ACCEPTED FOR THE BENEFIT OF THE FUND.

1 **(2) FOR FISCAL YEAR 2010 AND SUBSEQUENT FISCAL YEARS, THE**
2 **COMPTROLLER SHALL DISTRIBUTE 12.5% OF THE REMAINING INCOME TAX**
3 **REVENUE FROM CORPORATIONS TO THE GENERAL FUND OF THE STATE.**

4 2-614.

5 (a) After making the [distribution] **DISTRIBUTIONS** required under
6 [§ 2-613] §§ **2-613 AND 2-613.1** of this subtitle, the Comptroller shall distribute
7 monthly 24% of the remaining income tax revenue from corporations to a special fund
8 to be distributed as provided in subsection (b) of this section.

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

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

15 2-615.

16 After making the distributions required under §§ [2-613 and 2-614] **2-613,**
17 **2-613.1, AND 2-614** of this subtitle, the Comptroller shall distribute the remaining
18 income tax revenue from corporations to the General Fund of the State.

19 10-105.

20 (b) The State income tax rate for a corporation is [7%] **8%** of Maryland
21 taxable income.

22 10-210.1.

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

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

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

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

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

5 ~~Article Tax General~~

6 ~~10-402.1~~

7 (A) ~~IN THIS SECTION, "UNITARY GROUP" MEANS AN AFFILIATED GROUP~~
8 ~~OF CORPORATIONS:~~

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

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

12 (I) ~~A COMMON OWNER OR COMMON OWNERS, EITHER~~
13 ~~CORPORATE OR NONCORPORATE; OR~~

14 (II) ~~ONE OR MORE MEMBER CORPORATIONS OF THE GROUP.~~

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

19 (C) ~~UNDER THE COMBINED REPORTING METHOD, IF A CORPORATION IS~~
20 ~~A MEMBER OF A UNITARY GROUP AND IS SUBJECT TO THE MARYLAND INCOME~~
21 ~~TAX, THE PART OF THE CORPORATION'S MARYLAND MODIFIED INCOME THAT IS~~
22 ~~DERIVED FROM OR REASONABLY ATTRIBUTABLE TO TRADE OR BUSINESS~~
23 ~~CARRIED ON IN THE STATE SHALL BE DETERMINED AS FOLLOWS:~~

24 (1) ~~DETERMINE THE MARYLAND MODIFIED INCOME OF THE~~
25 ~~UNITARY GROUP, BY COMBINING THE CORPORATION'S INCOME WITH THE~~
26 ~~INCOME OF OTHER MEMBERS OF THE UNITARY GROUP, DISREGARDING~~
27 ~~TRANSACTIONS BETWEEN MEMBERS OF THE UNITARY GROUP TO ACCURATELY~~
28 ~~REFLECT THE INCOME OF THE UNITARY GROUP;~~

29 (2) ~~DETERMINE THE PART OF THE UNITARY GROUP'S MARYLAND~~
30 ~~MODIFIED INCOME THAT IS DERIVED FROM OR REASONABLY ATTRIBUTABLE TO~~
31 ~~TRADE OR BUSINESS CARRIED ON IN THE STATE USING A MARYLAND~~
32 ~~APPORTIONMENT FRACTION OF THE UNITARY GROUP, BASED ON NUMERATORS~~
33 ~~AND DENOMINATORS OF THE PROPERTY, PAYROLL, AND SALES FACTORS UNDER~~

~~1 § 10-402 OF THIS SUBTITLE COMPUTED BY COMBINING THOSE AMOUNTS
2 ASSOCIATED WITH THE ACTIVITIES OF THE CORPORATION WITH THE ACTIVITIES
3 OF OTHER MEMBERS OF THE UNITARY GROUP, DISREGARDING TRANSACTIONS
4 BETWEEN MEMBERS OF THE UNITARY GROUP TO ACCURATELY REFLECT THE
5 INCOME ALLOCABLE TO MARYLAND; AND~~

~~6 (3) FOR EACH MEMBER OF THE UNITARY GROUP THAT IS
7 SUBJECT TO THE MARYLAND INCOME TAX, ALLOCATE A PORTION OF THE
8 AMOUNT DETERMINED UNDER ITEM (2) OF THIS SUBSECTION TO THAT
9 CORPORATION BY MULTIPLYING THE AMOUNT DETERMINED UNDER ITEM (2) OF
10 THIS SUBSECTION BY A FRACTION:~~

~~11 (I) THE NUMERATOR OF WHICH IS THE MARYLAND
12 APPORTIONMENT FRACTION OF THAT CORPORATION, DETERMINED BY USING
13 THAT CORPORATION'S MARYLAND FACTORS IN THE NUMERATORS OF THE
14 APPORTIONMENT FORMULA AND USING THE COMBINED FACTORS OF ALL
15 MEMBERS OF THE UNITARY GROUP IN THE DENOMINATORS OF THE
16 APPORTIONMENT FORMULA; AND~~

~~17 (II) THE DENOMINATOR OF WHICH IS THE SUM OF THE
18 MARYLAND APPORTIONMENT FRACTIONS OF THE MEMBERS OF THE UNITARY
19 GROUP THAT ARE SUBJECT TO THE MARYLAND INCOME TAX.~~

~~20 (D) (1) SUBJECT TO REGULATIONS ADOPTED BY THE COMPTROLLER,
21 A CORPORATION THAT IS PART OF A UNITARY GROUP SHALL DETERMINE ITS
22 INCOME DERIVED FROM OR ATTRIBUTABLE TO TRADE OR BUSINESS IN THE
23 STATE USING A WATER'S EDGE METHOD AS DESCRIBED IN THIS SUBSECTION.~~

~~24 (2) UNDER THE WATER'S EDGE METHOD, THE UNITARY GROUP
25 FOR PURPOSES OF THE COMBINED REPORTING METHOD REQUIRED UNDER THIS
26 SECTION SHALL INCLUDE ONLY THE FOLLOWING AFFILIATED ENTITIES:~~

~~27 (I) CORPORATIONS THAT ARE INCORPORATED IN THE
28 UNITED STATES, EXCLUDING CORPORATIONS MAKING AN ELECTION UNDER §§
29 931 THROUGH 936 OF THE INTERNAL REVENUE CODE;~~

~~30 (II) DOMESTIC INTERNATIONAL SALES CORPORATIONS, AS
31 DESCRIBED IN §§ 991 THROUGH 994 OF THE INTERNAL REVENUE CODE AND
32 FOREIGN SALES CORPORATIONS AS DESCRIBED IN §§ 921 THROUGH 927 OF THE
33 INTERNAL REVENUE CODE;~~

~~34 (III) ANY CORPORATION, OTHER THAN A BANK, REGARDLESS
35 OF THE PLACE WHERE IT IS INCORPORATED IF THE AVERAGE OF ITS PROPERTY,
36 PAYROLL, AND SALES FACTORS WITHIN THE UNITED STATES IS 20% OR MORE;~~

1 ~~(IV) EXPORT TRADE CORPORATIONS, AS DESCRIBED IN §§~~
2 ~~970 THROUGH 972 OF THE INTERNAL REVENUE CODE;~~

3 ~~(V) A FOREIGN CORPORATION DERIVING GAIN OR LOSS~~
4 ~~FROM DISPOSITION OF AN INTEREST IN REAL PROPERTY IN THE UNITED~~
5 ~~STATES TO THE EXTENT RECOGNIZED UNDER § 897 OF THE INTERNAL~~
6 ~~REVENUE CODE; AND~~

7 ~~(VI) UNDER THE CIRCUMSTANCES AND TO THE EXTENT~~
8 ~~PROVIDED BY REGULATIONS THAT THE COMPTROLLER ADOPTS;~~

9 ~~1. A CORPORATION NOT DESCRIBED IN ITEMS (I)~~
10 ~~THROUGH (V) OF THIS PARAGRAPH, TO THE EXTENT OF ITS INCOME DERIVED~~
11 ~~FROM OR ATTRIBUTABLE TO SOURCES WITHIN THE UNITED STATES AND ITS~~
12 ~~FACTORS ASSIGNABLE TO A LOCATION WITHIN THE UNITED STATES, AS~~
13 ~~DETERMINED BY REGULATIONS THAT THE COMPTROLLER ADOPTS; OR~~

14 ~~2. AN AFFILIATED CORPORATION THAT IS A~~
15 ~~CONTROLLED FOREIGN CORPORATION, AS DEFINED IN § 957 OF THE INTERNAL~~
16 ~~REVENUE CODE.~~

17 ~~(3) THE USE OF THE WATER'S EDGE METHOD IS SUBJECT TO THE~~
18 ~~TERMS AND CONDITIONS THAT THE COMPTROLLER REQUIRES BY REGULATION,~~
19 ~~INCLUDING ANY CONDITIONS THAT ARE NECESSARY OR APPROPRIATE TO~~
20 ~~PREVENT THE AVOIDANCE OF TAX OR TO CLEARLY REFLECT INCOME FOR ANY~~
21 ~~PERIOD.~~

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

24 ~~(2) THE REGULATIONS ADOPTED BY THE COMPTROLLER SHALL BE~~
25 ~~CONSISTENT WITH THE "PRINCIPLES FOR DETERMINING THE EXISTENCE OF A~~
26 ~~UNITARY BUSINESS" (REG. IV.1.(B)) ADOPTED BY THE MULTISTATE TAX~~
27 ~~COMMISSION.~~

28 ~~10-811.~~

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

1 ~~(B) THE COMPTROLLER SHALL ADOPT REGULATIONS THAT ARE~~
2 ~~NECESSARY OR APPROPRIATE TO CARRY OUT THIS SECTION.~~

3 Article - Tax - General

4 10-110.

5 (A) THERE IS A MARYLAND BUSINESS TAX REFORM COMMISSION.

6 (B) (1) THE COMMISSION SHALL REVIEW AND EVALUATE THE
7 STATE'S CURRENT BUSINESS TAX STRUCTURE AND MAKE SPECIFIC
8 RECOMMENDATIONS FOR CHANGES TO THE STATE'S BUSINESS TAX STRUCTURE
9 TO PROVIDE FOR FAIR AND EQUITABLE TAXATION FOR ALL CORPORATIONS AND
10 OTHER BUSINESS ENTITIES DOING BUSINESS IN THE STATE.

11 (2) THE COMMISSION'S RECOMMENDATIONS MAY INCLUDE,
12 WITHOUT LIMITATION, CHANGES SUCH AS TAX RATE CHANGES, TAX BASE
13 BROADENING MEASURES, MEASURES TO ADDRESS TAX AVOIDANCE STRATEGIES,
14 AND ELIMINATION OF INEFFECTIVE OR INEFFICIENT TAX POLICIES INTENDED
15 AS ECONOMIC DEVELOPMENT INCENTIVES.

16 (3) THE COMMISSION'S STUDY SHALL INCLUDE, AT A MINIMUM, A
17 REVIEW AND EVALUATION OF THE FOLLOWING OPTIONS FOR BUSINESS TAX
18 REFORM:

19 (I) THE IMPOSITION OF COMBINED REPORTING USING THE
20 "WATER'S EDGE METHOD" UNDER THE CORPORATE INCOME TAX FOR UNITARY
21 GROUPS OF AFFILIATED CORPORATIONS;

22 (II) THE IMPOSITION OF OTHER TYPES OF BUSINESS TAXES,
23 IN LIEU OF OR IN ADDITION TO THE CURRENT TAXES IMPOSED, INCLUDING
24 GROSS RECEIPTS TAXES, VALUE ADDED TAXES, AND ALTERNATIVE MINIMUM
25 TAXES; AND

26 (III) IMPROVED METHODS FOR EVALUATION OF THE
27 EFFECTIVENESS AND EFFICIENCY OF TAX POLICIES INTENDED AS ECONOMIC
28 DEVELOPMENT INCENTIVES.

29 (C) THE COMMISSION SHALL BE COMPOSED OF 17 MEMBERS, AS
30 FOLLOWS:

31 (1) A CHAIR, APPOINTED BY THE GOVERNOR;

32 (2) THREE MEMBERS OF THE SENATE BUDGET AND TAXATION
33 COMMITTEE, APPOINTED BY THE PRESIDENT OF THE SENATE;

1 **(3) THREE MEMBERS OF THE HOUSE COMMITTEE ON WAYS AND**
2 **MEANS, APPOINTED BY THE SPEAKER OF THE HOUSE;**

3 **(4) THE COMPTROLLER OF THE TREASURY, OR THE**
4 **COMPTROLLER'S DESIGNEE;**

5 **(5) THE SECRETARY OF BUSINESS AND ECONOMIC**
6 **DEVELOPMENT, OR THE SECRETARY'S DESIGNEE;**

7 **(6) THE SECRETARY OF BUDGET AND MANAGEMENT, OR THE**
8 **SECRETARY'S DESIGNEE;**

9 **(7) THE DIRECTOR OF THE STATE DEPARTMENT OF**
10 **ASSESSMENTS AND TAXATION, OR THE DIRECTOR'S DESIGNEE;**

11 **(8) A REPRESENTATIVE OF THE MARYLAND ASSOCIATION OF**
12 **COUNTIES;**

13 **(9) A REPRESENTATIVE OF THE MARYLAND MUNICIPAL LEAGUE;**

14 **(10) A REPRESENTATIVE OF THE MARYLAND CHAMBER OF**
15 **COMMERCE; AND**

16 **(11) THREE MEMBERS OF THE PUBLIC KNOWLEDGEABLE ABOUT**
17 **THE STATE'S BUSINESS TAX STRUCTURE, APPOINTED BY THE GOVERNOR.**

18 **(D) THE COMPTROLLER AND THE DEPARTMENT OF BUDGET AND**
19 **MANAGEMENT SHALL PROVIDE STAFF SUPPORT TO THE COMMISSION.**

20 **(E) A MEMBER OF THE COMMISSION:**

21 **(1) MAY NOT RECEIVE COMPENSATION; BUT**

22 **(2) IS ENTITLED TO REIMBURSEMENT FOR EXPENSES UNDER THE**
23 **STANDARD STATE TRAVEL REGULATIONS, AS PROVIDED IN THE STATE**
24 **BUDGET.**

25 **(F) ON OR BEFORE DECEMBER 15, 2010, THE COMMISSION SHALL**
26 **SUBMIT AN INTERIM REPORT OF ITS FINDINGS AND RECOMMENDATIONS TO THE**
27 **GOVERNOR AND, IN ACCORDANCE WITH § 2-1246 OF THE STATE GOVERNMENT**
28 **ARTICLE, TO THE GENERAL ASSEMBLY.**

29 **(G) ON OR BEFORE DECEMBER 15, 2011, THE COMMISSION SHALL**
30 **SUBMIT A FINAL REPORT OF ITS FINDINGS AND RECOMMENDATIONS TO THE**

1 GOVERNOR AND, IN ACCORDANCE WITH § 2-1246 OF THE STATE GOVERNMENT
 2 ARTICLE, TO THE GENERAL ASSEMBLY.

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

5 Article - Tax - General

6 10-402.

7 (c) (2) (vi) As part of its tax return for a taxable year beginning after
 8 December 31, [2000 but before January 1, 2003] 2005, each manufacturing
 9 corporation that has more than 25 employees and apportions its income under this
 10 paragraph shall submit a report, in the form that the Comptroller requires by
 11 regulation, that describes for each taxable year as of the last day of the taxable year
 12 the following:

13 1. the difference in tax owed as a result of using THE
 14 single sales factor apportionment method under this paragraph as compared to the tax
 15 owed using the 3-factor double weighted sales factor apportionment method in effect
 16 for the last taxable year beginning on or before December 31, 2000;

17 2. volume of sales in the State and worldwide;

18 3. taxable income in the State and worldwide; and

19 4. book value of plant, land, and equipment in the State
 20 and worldwide.

21 (vii) On or before October 1, [2003] 2008, and October 1 [, 2004]
 22 OF EACH YEAR THEREAFTER, and notwithstanding any confidentiality
 23 requirements, the Comptroller shall prepare and submit to the Governor and, subject
 24 to § 2-1246 of the State Government Article, to the General Assembly, a
 25 comprehensive report on the use of single sales factor apportionment by
 26 manufacturing corporations that provides, at a minimum:

27 1. the number of corporations filing tax returns for the
 28 taxable year that ended during the preceding calendar year that use single sales factor
 29 apportionment and the number of such corporations having a Maryland income tax
 30 liability for that taxable year;

31 2. the number of corporations paying less in Maryland
 32 income tax for that taxable year as a result of using single sales factor apportionment
 33 and the aggregate amount of Maryland income tax savings for all such corporations for
 34 that taxable year as a result of using single sales factor apportionment; and

1 3. the number of corporations paying more in Maryland
2 income tax for the taxable year as a result of using single sales factor apportionment
3 and the aggregate amount of additional Maryland income tax owed by those
4 corporations for the taxable year as a result of using single sales factor apportionment.

5 10-804.

6 (e) Each person required under this subtitle to file an income tax return or
7 estimated income tax declaration or return shall:

8 (3) attach to an income tax return or otherwise file with the
9 Comptroller any records or statements that the Comptroller requires, including:

10 (ii) a copy of the federal income tax return:

11 1. for a corporation;

12 2. FOR AN INDIVIDUAL WHO REPORTS INCOME OR
13 LOSS FROM A SOLE PROPRIETORSHIP (SCHEDULE C OF FORM 1040) OR INCOME
14 OR LOSS FROM RENTAL REAL ESTATE AND ROYALTIES, PARTNERSHIPS AND S
15 CORPORATIONS, ESTATES AND TRUSTS, OR REAL ESTATE MORTGAGE
16 INVESTMENT CONDUITS (SCHEDULE E OF FORM 1040); and

17 [2.] 3. if the Comptroller requests, for an individual OTHER
18 THAN ONE DESCRIBED IN ITEM 2 OF THIS ITEM; [and]

19 (III) FOR A CORPORATION, THE STATEMENTS REQUIRED
20 UNDER § 10-804.1 OF THIS SUBTITLE; AND

21 [(iii)] (IV) if the Comptroller requests, for a corporation that is a
22 member of an affiliated group or controlled group under § 1504 or § 1563 of the
23 Internal Revenue Code, a statement of all intermember costs or expenses and all
24 intermember sales, exchanges, or other transactions involving tangible or intangible
25 property for the taxable year.

26 10-804.1.

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

29 (2) “CORPORATE GROUP” MEANS:

30 (1) AN AFFILIATED GROUP OR CONTROLLED GROUP UNDER
31 § 1504 OR § 1563 OF THE INTERNAL REVENUE CODE; OR

1 **(II) AN AFFILIATED GROUP OF CORPORATIONS:**

2 **1. THAT IS ENGAGED IN A UNITARY BUSINESS; AND**

3 **2. MORE THAN 50% OF THE VOTING STOCK OF EACH**
4 **MEMBER OF WHICH IS DIRECTLY OR INDIRECTLY OWNED BY:**

5 **A. A COMMON OWNER OR COMMON OWNERS, EITHER**
6 **CORPORATE OR NONCORPORATE; OR**

7 **B. ONE OR MORE MEMBERS OF THE GROUP.**

8 **(3) “DOING BUSINESS IN THE STATE” INCLUDES ENGAGING IN**
9 **ANY OF THE FOLLOWING ACTIVITIES, WHETHER OR NOT THE CORPORATION**
10 **ENGAGING IN THE ACTIVITY IS SUBJECT TO THE TAX IMPOSED UNDER THIS**
11 **TITLE:**

12 **(I) OWNING OR RENTING REAL OR TANGIBLE PERSONAL**
13 **PROPERTY PHYSICALLY LOCATED IN THE STATE;**

14 **(II) HAVING EMPLOYEES, AGENTS, OR REPRESENTATIVES**
15 **ACTING ON THE CORPORATION’S BEHALF IN THE STATE;**

16 **(III) MAKING SALES OF TANGIBLE PERSONAL PROPERTY TO**
17 **PURCHASERS THAT TAKE POSSESSION OF THE PROPERTY IN THE STATE;**

18 **(IV) PERFORMING SERVICES FOR CUSTOMERS LOCATED IN**
19 **THE STATE;**

20 **(V) PERFORMING SERVICES IN THE STATE;**

21 **(VI) EARNING INCOME FROM INTANGIBLE PROPERTY THAT**
22 **HAS A BUSINESS SITUS IN THE STATE;**

23 **(VII) ENGAGING IN REGULAR AND SYSTEMATIC SOLICITATION**
24 **OF SALES IN THE STATE;**

25 **(VIII) BEING A GENERAL OR LIMITED PARTNER IN A**
26 **PARTNERSHIP ENGAGED IN ANY OF THE ACTIVITIES DESCRIBED IN ITEMS (I)**
27 **THROUGH (VII) OF THIS PARAGRAPH; OR**

28 **(IX) BEING A MEMBER OF A LIMITED LIABILITY COMPANY**
29 **ENGAGED IN ANY OF THE ACTIVITIES DESCRIBED IN ITEMS (I) THROUGH (VII) OF**
30 **THIS PARAGRAPH.**

1 **(4) "PUBLICLY TRADED CORPORATION" MEANS:**

2 **(I) A CORPORATION THAT IS REGULARLY TRADED ON AN**
3 **ESTABLISHED SECURITIES MARKET IN THE UNITED STATES OR A FOREIGN**
4 **COUNTRY; OR**

5 **(II) A CORPORATION MORE THAN 50% OF THE VOTING**
6 **STOCK OF WHICH IS OWNED, DIRECTLY OR INDIRECTLY, BY A CORPORATION,**
7 **TRUST, ASSOCIATION, OR OTHER BUSINESS ENTITY THAT IS REGULARLY**
8 **TRADED ON AN ESTABLISHED SECURITIES MARKET IN THE UNITED STATES OR**
9 **A FOREIGN COUNTRY.**

10 **(B) EACH CORPORATION THAT IS REQUIRED TO FILE AN INCOME TAX**
11 **RETURN UNDER THIS TITLE AND IS A MEMBER OF A CORPORATE GROUP SHALL**
12 **FILE WITH THE COMPTROLLER:**

13 **(1) A STATEMENT IDENTIFYING EACH MEMBER OF THE**
14 **CORPORATE GROUP AND STATING FOR EACH MEMBER OF THE CORPORATE**
15 **GROUP:**

16 **(I) WHETHER THE MEMBER FILED AN INCOME TAX RETURN**
17 **UNDER THIS TITLE FOR THE TAXABLE YEAR;**

18 **(II) THE TOTAL VOLUME OF SALES BY THE MEMBER**
19 **WORLDWIDE FOR THE TAXABLE YEAR; AND**

20 **(III) THE VOLUME OF SALES MADE BY THE MEMBER IN THE**
21 **STATE FOR THE TAXABLE YEAR, IF ANY; AND**

22 **(2) A STATEMENT:**

23 **(I) IDENTIFYING EACH STATE OTHER THAN MARYLAND IN**
24 **WHICH ANY MEMBER OF THE CORPORATE GROUP FILED AN INCOME TAX**
25 **RETURN FOR THE TAXABLE YEAR; AND**

26 **(II) AS TO ANY STATE THAT REQUIRES COMBINED OR**
27 **CONSOLIDATED REPORTING FOR CORPORATE INCOME TAXPAYERS, LISTING**
28 **THE MEMBERS OF THE CORPORATE GROUP THAT ARE INCLUDED IN THE**
29 **COMBINED OR CONSOLIDATED GROUP FOR PURPOSES OF THE INCOME TAX**
30 **RETURN OR RETURNS FILED IN THAT STATE.**

31 **(C) (1) EACH PUBLICLY TRADED CORPORATION THAT IS DOING**
32 **BUSINESS IN THE STATE SHALL FILE WITH THE COMPTROLLER A STATEMENT**
33 **CONTAINING THE FOLLOWING INFORMATION:**

1 (I) THE NAME OF THE CORPORATION AND THE STREET
2 ADDRESS OF ITS PRINCIPAL EXECUTIVE OFFICE;

3 (II) THE NAME OF ANY CORPORATION THAT OWNS,
4 DIRECTLY OR INDIRECTLY, 50% OR MORE OF THE VOTING STOCK OF THE
5 CORPORATION AND THE STREET ADDRESS OF THAT CORPORATION'S PRINCIPAL
6 EXECUTIVE OFFICE;

7 (III) THE CORPORATION'S 4-DIGIT NORTH AMERICAN
8 INDUSTRY CLASSIFICATION SYSTEM CODE NUMBER; AND

9 (IV) AS SPECIFIED BY THE COMPTROLLER, INFORMATION
10 REPORTED ON OR USED IN PREPARING THE CORPORATION'S TAX RETURN FILED
11 UNDER THIS TITLE, OR, IN THE CASE OF A CORPORATION NOT REQUIRED TO
12 FILE A TAX RETURN UNDER THIS TITLE, THE INFORMATION THAT WOULD BE
13 REQUIRED TO BE REPORTED ON OR USED IN PREPARING THE TAX RETURN IF
14 THE CORPORATION WERE REQUIRED TO FILE AN INCOME TAX RETURN.

15 (2) IN LIEU OF THE INFORMATION DESCRIBED IN PARAGRAPH
16 (1)(IV) OF THIS SUBSECTION, A PUBLICLY TRADED CORPORATION DOING
17 BUSINESS IN THE STATE BUT NOT REQUIRED TO FILE A TAX RETURN UNDER
18 THIS TITLE MAY ELECT TO PROVIDE THE FOLLOWING INFORMATION:

19 (I) AN EXPLANATION OF WHY THE CORPORATION IS NOT
20 REQUIRED TO FILE A CORPORATE INCOME TAX RETURN IN THIS STATE; AND

21 (II) A STATEMENT AS TO WHETHER THE CORPORATION'S
22 TOTAL GROSS RECEIPTS FROM SALES TO PURCHASERS IN THIS STATE FOR THE
23 TAXABLE YEAR WERE:

24 1. LESS THAN \$10,000,000;

25 2. AT LEAST \$10,000,000 BUT LESS THAN
26 \$50,000,000;

27 3. AT LEAST \$50,000,000 BUT LESS THAN
28 \$100,000,000;

29 4. AT LEAST \$100,000,000 BUT LESS THAN
30 \$250,000,000; OR

31 5. AT LEAST \$250,000,000.

32 (3) IF A PUBLICLY TRADED CORPORATION IS A MEMBER OF A
33 CORPORATE GROUP AND THE CORPORATE GROUP HAS WORLDWIDE GROSS

1 RECEIPTS FOR THE TAXABLE YEAR IN EXCESS OF \$100,000,000, THE
2 STATEMENT REQUIRED UNDER THIS SUBSECTION SHALL INCLUDE:

3 (I) THE INFORMATION SPECIFIED UNDER PARAGRAPH (1)
4 OR (2) OF THIS SUBSECTION FOR EACH MEMBER OF THE CORPORATE GROUP,
5 WHETHER OR NOT THE MEMBER IS DOING BUSINESS IN THE STATE OR IS
6 REQUIRED TO FILE AN INCOME TAX RETURN UNDER THIS TITLE; AND

7 (II) OTHER INFORMATION AS SPECIFIED BY THE
8 COMPROLLER FOR THE CORPORATION AND FOR EACH MEMBER OF ANY
9 CORPORATE GROUP OF WHICH THE CORPORATION IS A MEMBER, INCLUDING:

10 1. THE MEMBERS OF THE CORPORATE GROUP THAT
11 WOULD BE INCLUDED IN THE COMBINED GROUP USING THE "WATER'S EDGE"
12 METHOD FOR PURPOSES OF COMBINED REPORTING AND THE DIFFERENCE IN
13 MARYLAND INCOME TAX THAT WOULD BE OWED IF THE CORPORATION WERE
14 REQUIRED TO USE COMBINED REPORTING USING THE "WATER'S EDGE" METHOD
15 TO DETERMINE ITS MARYLAND INCOME TAX;

16 2. THE SALES FACTOR THAT WOULD BE CALCULATED
17 FOR THIS STATE AND THE DIFFERENCE IN MARYLAND INCOME TAX THAT
18 WOULD BE OWED IF THE CORPORATION WERE REQUIRED TO INCLUDE IN THE
19 NUMERATOR OF THE SALES FACTOR FOR PURPOSES OF APPORTIONING INCOME
20 TO THE STATE ALL SALES OF PROPERTY SHIPPED FROM AN OFFICE, STORE,
21 WAREHOUSE, FACTORY, OR OTHER PLACE OF STORAGE IN THIS STATE WHERE:

22 A. THE PURCHASER IS THE FEDERAL GOVERNMENT;
23 AND

24 B. THE PROPERTY IS SHIPPED OR DELIVERED TO A
25 CUSTOMER IN A STATE IN WHICH THE SELLING CORPORATION IS NOT SUBJECT
26 TO A STATE CORPORATE INCOME TAX OR STATE FRANCHISE TAX MEASURED BY
27 NET INCOME AND COULD NOT BE SUBJECTED TO SUCH A TAX IF THE STATE
28 WERE TO IMPOSE IT;

29 3. FOR ANY INCOME THAT THE TAXPAYER HAS
30 IDENTIFIED, ON THE INCOME TAX RETURN FILED UNDER THIS TITLE OR ON AN
31 INCOME TAX RETURN FILED IN ANY STATE, AS INCOME THAT IS NOT
32 APPORTIONABLE:

33 A. THE AMOUNT AND SOURCE OF THAT
34 NONAPPORTIONABLE INCOME;

1 **B. UNLESS THE PRINCIPAL EXECUTIVE OFFICE OF**
2 **THE CORPORATION IS IN THIS STATE, THE STATE TO WHICH THAT**
3 **NONAPPORTIONABLE INCOME WAS ALLOCATED; AND**

4 **C. IF THE PRINCIPAL EXECUTIVE OFFICE OF THE**
5 **CORPORATION IS IN THIS STATE, THE DIFFERENCE IN TAX THAT WOULD BE**
6 **OWED IF THE CORPORATION WERE REQUIRED TO ALLOCATE 100% OF THE**
7 **NONAPPORTIONABLE INCOME TO MARYLAND;**

8 **4. THE FULL-TIME EQUIVALENT EMPLOYMENT OF**
9 **THE CORPORATION IN THE STATE ON THE LAST DAY OF THE TAXABLE YEAR AND**
10 **FOR THE 3 PREVIOUS TAXABLE YEARS; AND**

11 **5. IF THE CORPORATION IS INCORPORATED IN THE**
12 **UNITED STATES OR IS AN AFFILIATE OF A CORPORATION INCORPORATED IN**
13 **THE UNITED STATES, PROFITS BEFORE TAX REPORTED ON THE SECURITIES**
14 **AND EXCHANGE COMMISSION FORM 10-K FOR THE CORPORATION OR THE**
15 **CORPORATE GROUP OF WHICH THE CORPORATION IS A MEMBER FOR THE**
16 **CORPORATE FISCAL YEAR THAT CONTAINS THE LAST DAY OF THE TAXABLE**
17 **YEAR.**

18 **(D) (1) THE STATEMENTS REQUIRED UNDER SUBSECTIONS (B) AND**
19 **(C) OF THIS SECTION:**

20 **(I) SHALL BE FILED ANNUALLY, FOR ALL TAXABLE YEARS**
21 **BEGINNING AFTER DECEMBER 31, 2005, ON OR BEFORE DATES SPECIFIED BY**
22 **THE COMPTROLLER IN AN ELECTRONIC FORMAT AS SPECIFIED BY THE**
23 **COMPTROLLER;**

24 **(II) SHALL BE:**

25 **1. MADE UNDER OATH AND SIGNED IN THE SAME**
26 **MANNER AS REQUIRED FOR INCOME TAX RETURNS UNDER § 10-804 OF THIS**
27 **SUBTITLE; AND**

28 **2. SUBJECT TO AUDIT BY THE COMPTROLLER IN THE**
29 **COURSE OF AND UNDER THE NORMAL PROCEDURES APPLICABLE TO**
30 **CORPORATE INCOME TAX RETURN AUDITS; AND**

31 **(III) NOTWITHSTANDING ANY OTHER PROVISION OF LAW,**
32 **SHALL BE TREATED AS CONFIDENTIAL TAXPAYER INFORMATION SUBJECT TO**
33 **TITLE 13, SUBTITLE 2 OF THIS ARTICLE.**

34 **(2) THE STATEMENTS REQUIRED UNDER THIS SECTION FOR THE**
35 **MEMBERS OF A CORPORATE GROUP SHALL BE SUBMITTED BY THE CORPORATE**

1 GROUP IN ONE COMBINED REPORT THAT INCLUDES THE INFORMATION
2 REQUIRED UNDER SUBSECTIONS (B) AND (C) OF THIS SECTION FOR ALL
3 MEMBERS OF THE CORPORATE GROUP.

4 (3) THE COMPTROLLER SHALL DEVELOP AND IMPLEMENT AN
5 OVERSIGHT SYSTEM TO ENSURE THAT CORPORATIONS DOING BUSINESS IN THE
6 STATE, INCLUDING THOSE NOT REQUIRED TO FILE A RETURN UNDER THIS
7 TITLE, PROVIDE THE REQUIRED DISCLOSURE STATEMENTS IN A TIMELY AND
8 ACCURATE MANNER.

9 (4) A PERSON WHO IS REQUIRED TO FILE A STATEMENT UNDER
10 THIS SECTION WHO WILLFULLY FAILS TO FILE THE STATEMENT OR WHO FILES A
11 FALSE STATEMENT IS GUILTY OF A MISDEMEANOR AND, ON CONVICTION, IS
12 SUBJECT TO A FINE NOT EXCEEDING \$10,000 OR IMPRISONMENT NOT
13 EXCEEDING 5 YEARS OR BOTH.

14 (5) THE COMPTROLLER SHALL PUBLISH THE NAME OF, AND
15 PENALTY IMPOSED ON, ANY CORPORATION FAILING TO FILE A STATEMENT
16 REQUIRED UNDER THIS SECTION OR FILING AN INACCURATE STATEMENT.

17 (E) (1) A CORPORATION SUBMITTING A STATEMENT REQUIRED
18 UNDER THIS SECTION MAY SUBMIT SUPPLEMENTAL INFORMATION THAT, IN ITS
19 SOLE JUDGMENT AND DISCRETION, COULD FACILITATE PROPER
20 INTERPRETATION OF THE INFORMATION INCLUDED IN THE STATEMENT.

21 (2) A CORPORATION SHALL FILE A SUPPLEMENTAL STATEMENT
22 UNDER THIS SECTION WITHIN 60 DAYS AFTER:

23 (I) THE CORPORATION FILES AN AMENDED TAX RETURN
24 UNDER THIS TITLE; OR

25 (II) THE CORPORATION'S TAX LIABILITY FOR A TAX YEAR IS
26 CHANGED AS THE RESULT OF AN AUDIT ADJUSTMENT OR FINAL
27 DETERMINATION OF LIABILITY BY THE COMPTROLLER OR BY A COURT OF LAW.

28 (F) (1) THE COMPTROLLER SHALL:

29 (I) COLLECT, COMPILE, AND ANALYZE THE INFORMATION
30 SUBMITTED UNDER THIS SECTION;

31 (II) USE THE INFORMATION SUBMITTED UNDER THIS
32 SECTION TO PROVIDE ANALYSES AS REQUESTED BY THE GOVERNOR OR THE
33 GENERAL ASSEMBLY RELATING TO THE CORPORATE INCOME TAX OR
34 PROPOSALS FOR CHANGES TO THE CORPORATE INCOME TAX; AND

1 **(III) ON OR BEFORE DECEMBER 1 OF EACH YEAR, BASED ON**
2 **INFORMATION PROVIDED IN INCOME TAX RETURNS AND THE DATA SUBMITTED**
3 **UNDER THIS SUBSECTION, SUBMIT A REPORT TO THE GOVERNOR AND, SUBJECT**
4 **TO § 2-1246 OF THE STATE GOVERNMENT ARTICLE, TO THE GENERAL**
5 **ASSEMBLY, CONCERNING THE CORPORATE INCOME TAX.**

6 **(2) THE REPORT REQUIRED UNDER THIS SUBSECTION SHALL:**

7 **(I) SUMMARIZE THE INFORMATION SUBMITTED UNDER**
8 **THIS SECTION; AND**

9 **(II) PROVIDE DETAILED ANALYSES OF THE**
10 **CHARACTERISTICS OF CORPORATE TAXPAYERS, INCLUDING:**

11 **1. HISTORICAL SERIES OF DATA AND DETAILED**
12 **REPORTS FOR THE REPORTED YEAR; AND**

13 **2. THE DISTRIBUTION OF MARYLAND TAXABLE**
14 **INCOME, INCOME TAX LIABILITY, AND OTHER ELEMENTS OF THE CORPORATE**
15 **INCOME TAX SUCH AS TAX CREDITS, MODIFICATIONS TO INCOME, AND NET**
16 **OPERATING LOSS CARRYOVERS.**

17 **(3) THE INFORMATION PROVIDED IN THE REPORT SHALL BE**
18 **PROVIDED BY VARIOUS CATEGORIES, INCLUDING:**

19 **(I) BUSINESS CATEGORY; AND**

20 **(II) VARIOUS MEASURES OF SIZE, SUCH AS TAXABLE**
21 **INCOME, IN-STATE AND WORLDWIDE PAYROLL, AND IN-STATE AND**
22 **WORLDWIDE GROSS RECEIPTS.**

23 **(G) THE COMPTROLLER SHALL ADOPT APPROPRIATE REGULATIONS TO**
24 **IMPLEMENT THE PROVISIONS OF THIS SECTION.**

25 **Article - Transportation**

26 **13-809.**

27 **(a) (3) "Total purchase price" means the price of a vehicle agreed on by**
28 **the buyer and the seller, including any dealer processing charge, [with no] LESS AN**
29 **allowance for trade-in [or] BUT WITH NO ALLOWANCE FOR other nonmonetary**
30 **consideration.**

31 **(b) (1) Except as otherwise provided in this part, in addition to any other**
32 **charge required by the Maryland Vehicle Law, an excise tax is imposed:**

1 (i) For each original and each subsequent certificate of title
2 issued in this State for a motor vehicle, trailer, or semitrailer; and

3 (ii) Except as provided in paragraph (2) of this subsection, for
4 each motor vehicle, trailer, or semitrailer that is in interstate operation and registered
5 under § 13-109(c) or (d) of this title without a certificate of title.

6 (c) (1) Except as provided in subsection (b)(2) of this section, the tax
7 imposed by this section is [5 percent] 6 PERCENT of the fair market value of the
8 vehicle.

9 SECTION 7. AND BE IT FURTHER ENACTED, That the Laws of Maryland
10 read as follows:

11 **Article 24 – Political Subdivisions – Miscellaneous Provisions**

12 **9-1104.**

13 **THE GOVERNOR SHALL INCLUDE IN THE BUDGET BILL FOR EACH FISCAL**
14 **YEAR A GENERAL FUND APPROPRIATION TO BALTIMORE CITY OF \$3,075,000.**

15 **Article – Environment**

16 **9-1605.3.**

17 **THE GOVERNOR SHALL INCLUDE IN THE BUDGET BILL FOR EACH FISCAL**
18 **YEAR A GENERAL FUND APPROPRIATION FOR CHESAPEAKE BAY RELATED**
19 **PROGRAMS OF NOT LESS THAN \$13,755,000.**

20 **Article – Natural Resources**

21 **4-209.**

22 **(K) THE GOVERNOR SHALL INCLUDE IN THE BUDGET BILL FOR EACH**
23 **FISCAL YEAR A GENERAL FUND APPROPRIATION TO THE FISHERIES RESEARCH**
24 **AND DEVELOPMENT FUND OF NOT LESS THAN \$1,794,000.**

25 **8-707.**

26 **(D) THE GOVERNOR SHALL INCLUDE IN THE BUDGET BILL FOR EACH**
27 **FISCAL YEAR A GENERAL FUND APPROPRIATION TO THE WATERWAY**
28 **IMPROVEMENT FUND OF NOT LESS THAN \$1,794,000.**

29 **Article – Tax – General**

1 2-1103.

2 After making the distributions required under §§ 2-1101 and 2-1102 of this
3 subtitle, the Comptroller shall distribute:

4 (1) the remaining motor fuel tax revenue from aviation fuel to the
5 Transportation Trust Fund; and

6 (2) all remaining motor fuel tax revenue[, equal to the average
7 percentage by which the motor fuel tax rate exceeds 18.5 cents per gallon, to the
8 gasoline and motor vehicle revenue account] **TO THE GASOLINE AND MOTOR**
9 **VEHICLE REVENUE ACCOUNT** in the Transportation Trust Fund.

10 [2-1104.

11 After making the distributions required under §§ 2-1101 through 2-1103 of this
12 subtitle, from the remaining motor fuel tax revenue, the Comptroller shall distribute:

13 (1) 0.3% to the Waterway Improvement Fund;

14 (2) 0.3% to the Fisheries Research and Development Fund;

15 (3) 2.3% to the General Fund of the State for Chesapeake Bay related
16 programs; and

17 (4) any remaining balance to the Gasoline and Motor Vehicle Revenue
18 Account of the Transportation Trust Fund.]

19 **Article - Transportation**

20 [13-208.

21 (a) Of each filing fee received under this subtitle, the Administration shall
22 deposit \$14 in the General Fund.

23 (b) For each fiscal year, the Comptroller shall distribute to Baltimore City an
24 amount equal to \$5 for each filing fee received under this subtitle.]

25 13-613.

26 (d) [Except as provided in subsection (e) of this section, of the] **THE** proceeds
27 collected annually from the additional fees charged under this section[:

28 (1) The first \$180,000 shall be paid into a special fund administered by
29 the Maryland Higher Education Commission for use in the medical, dental, legal,
30 nursing, social work, and pharmaceutical scholarship programs provided by this State;

1 (B-2) “MOIST SNUFF” MEANS ANY FINELY CUT, GROUND, OR POWDERED
 2 TOBACCO, OTHER THAN DRY SNUFF, THAT IS INTENDED TO BE PLACED IN THE
 3 ORAL CAVITY.

4 (c) (1) “Other tobacco product” means:

5 [(1)] (I) any cigar or roll for smoking, other than a cigarette, made in
 6 whole or in part of tobacco; or

7 [(2)] (II) any other tobacco or product made primarily from tobacco,
 8 other than a cigarette, that is intended for consumption by smoking or chewing or as
 9 snuff.

10 (2) “OTHER TOBACCO PRODUCT” INCLUDES A LITTLE CIGAR.

11 12-105.

12 (a) (1) ~~The~~ EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS
 13 SUBSECTION, THE tobacco tax rate for cigarettes AND LITTLE CIGARS is:

14 ~~(1)~~ (I) [50 cents] \$1.00 for each package of 10 or fewer cigarettes
 15 OR LITTLE CIGARS;

16 ~~(2)~~ (II) [\$1.00] \$2.00 for each package of at least 11 and not more
 17 than 20 cigarettes OR LITTLE CIGARS;

18 ~~(3)~~ (III) [5.0] 10.0 cents for each cigarette in a package of more than
 19 20 cigarettes OR LITTLE CIGARS; and

20 ~~(4)~~ (IV) [5.0] 10.0 cents for each cigarette in a package of free
 21 sample cigarettes OR LITTLE CIGARS.

22 (2) IF THE FEDERAL EXCISE TAX RATE ON CIGARETTES IS
 23 INCREASED AFTER OCTOBER 1, 2007, THE AMOUNT OF THE TOBACCO TAX RATE
 24 FOR CIGARETTES REQUIRED UNDER PARAGRAPH (1) OF THIS SUBSECTION
 25 SHALL BE REDUCED IN PROPORTION TO THE AMOUNT OF THE INCREASE IN THE
 26 FEDERAL EXCISE TAX RATE SUBJECT TO THE REQUIREMENTS OF PARAGRAPH
 27 (3) OF THIS SUBSECTION.

28 (3) (I) EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS
 29 PARAGRAPH, THE COMPTROLLER SHALL DETERMINE THE AMOUNT OF THE
 30 REDUCTION IN THE TOBACCO TAX RATE UNDER PARAGRAPH (2) OF THIS
 31 SUBSECTION.

1 **(II) THE REDUCTION IN THE AMOUNT OF THE TOBACCO TAX**
2 **RATE MAY NOT EXCEED:**

3 **1. 25 CENTS FOR EACH PACKAGE OF 10 OR FEWER**
4 **CIGARETTES;**

5 **2. 50 CENTS FOR EACH PACKAGE OF AT LEAST 11**
6 **AND NOT MORE THAN 20 CIGARETTES;**

7 **3. 2 CENTS FOR EACH CIGARETTE IN A PACKAGE OF**
8 **MORE THEN 20 CIGARETTES; AND**

9 **4. 2 CENTS FOR EACH CIGARETTE IN A PACKAGE OF**
10 **FREE SAMPLE CIGARETTES.**

11 (b) **(1) [The] EXCEPT FOR LITTLE CIGARS AND MOIST SNUFF, THE**
12 **tobacco tax rate for other tobacco products is 15% of the wholesale price of the tobacco**
13 **products.**

14 **(2) FOR MOIST SNUFF, THE TOBACCO TAX RATE IS 39 CENTS FOR**
15 **EACH OUNCE OF NET WEIGHT OF THE PRODUCT AS LISTED BY THE**
16 **MANUFACTURER AND A PROPORTIONATE AMOUNT FOR EACH FRACTION OF AN**
17 **OUNCE IN EXCESS OF A WHOLE OUNCE OF NET WEIGHT OF THE PRODUCT.**

18 **12-201.**

19 (a) **A manufacturer shall complete and file with the Comptroller a tobacco**
20 **tax return:**

21 **(1) on or before the 15th day of the month that follows the month in**
22 **which the manufacturer distributes in the State free sample cigarettes OR LITTLE**
23 **CIGARS of the manufacturer; and**

24 **(2) if the Comptroller so specifies, by regulation, on other dates for**
25 **each month in which the manufacturer does not distribute any sample cigarettes OR**
26 **LITTLE CIGARS.**

27 (b) **A licensed storage warehouse operator shall file the information return**
28 **that the Comptroller requires.**

29 **12-202.**

30 (a) **A wholesaler shall complete and file with the Comptroller a tobacco tax**
31 **return:**

1 (1) for cigarettes:

2 (i) on or before the 21st day of the month that follows the
 3 month in which the wholesaler has the first possession, in the State, of unstamped
 4 cigarettes for which tax stamps are required; and

5 (ii) if the Comptroller so specifies, by regulation, on other dates
 6 for each month in which the wholesaler does not have the first possession of any
 7 unstamped cigarettes in the State; and

8 (2) for other tobacco products, on the dates and for the periods that the
 9 Comptroller specifies by regulation.

10 (B) Each return shall state the quantity of cigarettes, THE NET WEIGHT OF
 11 MOIST SNUFF AS LISTED BY THE MANUFACTURER, or the wholesale price of other
 12 tobacco products OTHER THAN MOIST SNUFF sold during the period that the return
 13 covers.

14 12-302.

15 (A) A manufacturer of sample cigarettes OR LITTLE CIGARS shall pay the
 16 tobacco tax on those cigarettes OR LITTLE CIGARS distributed in the State without
 17 charge, in the manner that the Comptroller requires by regulation, with the return
 18 that covers the period in which the manufacturer distributed those cigarettes OR
 19 LITTLE CIGARS.

20 12-303.

21 (b) The Comptroller shall allow a licensed wholesaler a discount of ~~0.82%~~
 22 ~~0.41%~~ of the purchase price of tax stamps.

23 Article - Commercial Law

24 SUBTITLE 5B. LITTLE CIGAR SALES OF FEWER THAN FIVE PER PACKAGE.

25 11-5B-01.

26 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS
 27 INDICATED.

28 (B) “LITTLE CIGAR” HAS THE MEANING STATED IN § 12-101(B-1) OF
 29 THE TAX - GENERAL ARTICLE.

30 (C) “RETAILER” INCLUDES ANY PERSON ENGAGED IN THE BUSINESS OF
 31 MAKING RETAIL SALES OF LITTLE CIGARS WITHIN THE STATE AT A STORE,

1 STAND, BOOTH, OR CONCESSION, THROUGH VENDING MACHINES, OR
2 OTHERWISE.

3 (D) "SELL" INCLUDES ADVERTISE, OFFER TO SELL, OR OFFER FOR
4 SALE.

5 (E) "VENDING MACHINE OPERATOR" MEANS A PERSON THAT:

6 (1) MAKES RETAIL SALES OF LITTLE CIGARS OR HAS LITTLE
7 CIGARS IN ITS POSSESSION WITH THE INTENT TO SELL THEM EXCLUSIVELY AT
8 RETAIL THROUGH THE MEDIUM OF A VENDING MACHINE OR ANY OTHER
9 MECHANICAL DEVICE USED FOR DISPENSING LITTLE CIGARS;

10 (2) OWNS, OPERATES, AND SERVICES VENDING MACHINES OR
11 OTHER MECHANICAL DEVICES USED TO DISPENSE LITTLE CIGARS ON 40 OR
12 MORE PREMISES; AND

13 (3) SERVICES THE MACHINES OR DEVICES BY MAINTAINING AN
14 ESTABLISHED PLACE OF BUSINESS FOR THE PURCHASE OF LITTLE CIGARS,
15 INCLUDING WAREHOUSING FACILITIES FOR THE STORAGE AND DISTRIBUTION
16 OF LITTLE CIGARS.

17 (F) (1) "WHOLESALER" MEANS A PERSON THAT PURCHASES LITTLE
18 CIGARS DIRECTLY FROM A MANUFACTURER.

19 (2) "WHOLESALER" INCLUDES A PERSON THAT, AS A
20 SUBWHOLESALER:

21 (I) PURCHASES LITTLE CIGARS FROM ANOTHER
22 WHOLESALER SOLELY FOR THE PURPOSE OF BONA FIDE RESALE TO RETAILERS
23 OTHER THAN THOSE DIRECTLY OR INDIRECTLY OWNED, AFFILIATED, OR
24 CONTROLLED BY THE SUBWHOLESALER; AND

25 (II) SERVICES THE RETAILERS BY MAINTAINING AN
26 ESTABLISHED PLACE OF BUSINESS FOR THE SALE OF LITTLE CIGARS,
27 INCLUDING WAREHOUSE FACILITIES, ADEQUATE INVENTORY, PROPER
28 ACCOUNTING RECORDS, AND NECESSARY EQUIPMENT AND VEHICLES FOR THE
29 STORAGE AND DISTRIBUTION OF LITTLE CIGARS.

30 (3) IF THE PERSON IS ENGAGED IN THE BUSINESS OF MAKING
31 BOTH WHOLESALE SALES OF LITTLE CIGARS AND RETAIL SALES OF LITTLE
32 CIGARS, THE WORD ONLY APPLIES TO THE WHOLESALE SALES OF LITTLE
33 CIGARS PORTION OF THE BUSINESS.

1 **11-5B-02.**

2 **(A) NOTWITHSTANDING ANY OTHER PROVISION OF LAW, A RETAILER**
 3 **OR VENDING MACHINE OPERATOR MAY NOT PURCHASE FROM A TOBACCO**
 4 **PRODUCT MANUFACTURER OR SELL, RESELL, DISTRIBUTE, DISPENSE, OR GIVE**
 5 **AWAY TO ANY PERSON A PACKAGE OF LITTLE CIGARS CONTAINING FEWER THAN**
 6 **FIVE LITTLE CIGARS.**

7 **(B) NOTWITHSTANDING ANY OTHER PROVISION OF LAW, A**
 8 **WHOLESALE MAY NOT SELL, RESELL, DISTRIBUTE, DISPENSE, OR GIVE AWAY**
 9 **TO ANY PERSON IN THIS STATE A PACKAGE OF LITTLE CIGARS CONTAINING**
 10 **FEWER THAN FIVE LITTLE CIGARS.**

11 **11-5B-03.**

12 **(A) THE COMPTROLLER SHALL ENFORCE THIS SUBTITLE.**

13 **(B) THE COMPTROLLER SHALL:**

14 **(1) EMPLOY AND DETERMINE THE DUTIES AND COMPENSATION**
 15 **OF THE INSPECTORS AND OTHER PERSONNEL NECESSARY TO ENFORCE THIS**
 16 **SUBTITLE; AND**

17 **(2) ADOPT REGULATIONS NECESSARY TO EFFECTUATE AND**
 18 **ENFORCE THE PROVISIONS OF THIS SUBTITLE.**

19 **SECTION 9. AND BE IT FURTHER ENACTED, That the Laws of Maryland**
 20 **read as follows:**

21 **Article - Tax - Property**

22 12-110.

23 **(d) (1) THE DEPARTMENT SHALL DEDUCT THE COST OF**
 24 **ADMINISTERING THE RECORDATION TAX FROM THE TAXES COLLECTED UNDER**
 25 **THIS TITLE AND CREDIT THOSE REVENUES TO THE FUND ESTABLISHED UNDER**
 26 **§ 1-203.3 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE.**

27 **(2) [The] AFTER DEDUCTING THE REVENUES REQUIRED UNDER**
 28 **PARAGRAPH (1) OF THIS SUBSECTION, THE recordation tax collected under [§**
 29 **12-103(d)] §§ 12-103(D) AND 12-117 of this title shall be paid to the Comptroller.**
 30 **[After deduction of the cost to the Department of collecting the tax, the] THE**
 31 **Comptroller shall distribute the revenue to the counties in the ratio that the**

1 recordation tax collected in the prior fiscal year in each county bears to the total
2 recordation tax collected in all counties in that year.

3 **12-117.**

4 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE
5 MEANINGS INDICATED.

6 (2) "CONTROLLING INTEREST" MEANS:

7 (I) MORE THAN ~~80%~~ 90% OF THE TOTAL VALUE OF ALL
8 CLASSES OF STOCK OF A CORPORATION;

9 (II) MORE THAN ~~80%~~ 90% OF THE TOTAL INTEREST IN
10 CAPITAL AND PROFITS OF A PARTNERSHIP, ASSOCIATION, LIMITED LIABILITY
11 COMPANY, OR OTHER UNINCORPORATED FORM OF DOING BUSINESS; OR

12 (III) MORE THAN ~~80%~~ 90% OF THE BENEFICIAL INTEREST IN
13 A TRUST.

14 (3) "FINAL TRANSFER" MEANS THAT TRANSFER OF ANY PORTION
15 OF A CONTROLLING INTEREST THAT COMPLETES THE TRANSFER OF A
16 CONTROLLING INTEREST IN A REAL PROPERTY ENTITY.

17 (4) (I) "PLAN OF TRANSFER" MEANS AN INTENTIONAL PLAN
18 OR PROGRAM TO TRANSFER THE CONTROLLING INTEREST IN A REAL PROPERTY
19 ENTITY.

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

22 (5) (I) "REAL PROPERTY" MEANS REAL PROPERTY LOCATED
23 IN THE STATE.

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

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

28 2. ANY MORTGAGE, DEED OF TRUST, OR OTHER LIEN
29 ON OR SECURITY INTEREST IN REAL PROPERTY THAT SECURES AN
30 INDEBTEDNESS.

1 (6) (I) **“REAL PROPERTY ENTITY” MEANS A CORPORATION,**
2 **PARTNERSHIP, ASSOCIATION, LIMITED LIABILITY COMPANY, LIMITED LIABILITY**
3 **PARTNERSHIP, OTHER UNINCORPORATED FORM OF DOING BUSINESS, OR TRUST**
4 **THAT DIRECTLY OR BENEFICIALLY OWNS REAL PROPERTY THAT:**

5 1. **CONSTITUTES AT LEAST ~~80%~~ 90% OF THE VALUE**
6 **OF ITS ASSETS; AND**

7 2. **HAS AN AGGREGATE VALUE OF AT LEAST**
8 **\$1,000,000.**

9 (II) **FOR THE PURPOSES OF THIS PARAGRAPH, THE VALUE**
10 **OF REAL PROPERTY SHALL BE AS DETERMINED BY THE DEPARTMENT FOR**
11 **PROPERTY TAX ASSESSMENT PURPOSES AS OF THE DATE OF TRANSFER**
12 **WITHOUT REDUCTION FOR ANY MORTGAGE, DEED OF TRUST, OR OTHER LIEN ON**
13 **OR SECURITY INTEREST IN THE REAL PROPERTY.**

14 (III) **“REAL PROPERTY ENTITY” DOES NOT INCLUDE AN**
15 **ENTITY WITH LAND HOLDINGS THAT, OTHER THAN HOMESITES OR AREAS OF**
16 **COMMERCIAL ACTIVITY RELATED TO AGRICULTURAL PRODUCTION, ARE**
17 **ENTIRELY SUBJECT TO AN AGRICULTURAL USE ASSESSMENT UNDER § 8-209 OF**
18 **THIS ARTICLE.**

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

25 (2) (I) **THE RECORDATION TAX IS IMPOSED ON THE**
26 **CONSIDERATION PAYABLE FOR THE TRANSFER OF THE CONTROLLING INTEREST**
27 **IN THE REAL PROPERTY ENTITY.**

28 (II) **THE CONSIDERATION TO WHICH THE RECORDATION**
29 **TAX APPLIES INCLUDES THE AMOUNT OF:**

30 1. **ANY MORTGAGE, DEED OF TRUST, OR OTHER LIEN**
31 **ON OR SECURITY INTEREST IN THE REAL PROPERTY DIRECTLY OR**
32 **BENEFICIALLY OWNED BY THE REAL PROPERTY ENTITY; AND**

33 2. **ANY OTHER DEBT OR ENCUMBRANCE OF THE**
34 **REAL PROPERTY ENTITY.**

1 (III) THE CONSIDERATION TO WHICH THE RECORDATION
2 TAX APPLIES IS REDUCED BY THE AMOUNT ALLOCABLE TO THE ASSETS OF THE
3 REAL PROPERTY ENTITY OTHER THAN REAL PROPERTY.

4 (IV) THE REAL PROPERTY ENTITY HAS THE BURDEN OF
5 ESTABLISHING TO THE SATISFACTION OF THE DEPARTMENT THE
6 CONSIDERATION REFERRED TO IN SUBPARAGRAPH (I) OF THIS PARAGRAPH AND
7 THE AMOUNT OF ANY CONSIDERATION ALLOCABLE TO ASSETS OTHER THAN
8 REAL PROPERTY REFERRED TO IN SUBPARAGRAPH (III) OF THIS PARAGRAPH.

9 (V) IF THE REAL PROPERTY ENTITY FAILS TO ESTABLISH
10 THE AMOUNT OF CONSIDERATION REFERRED TO IN SUBPARAGRAPH (I) OF THIS
11 PARAGRAPH, THE RECORDATION TAX IS IMPOSED ON THE VALUE OF THE REAL
12 PROPERTY, DIRECTLY OR BENEFICIALLY OWNED BY THE REAL PROPERTY
13 ENTITY, DETERMINED BY THE DEPARTMENT AT THE DATE OF FINALITY
14 IMMEDIATELY BEFORE THE DATE OF THE FINAL TRANSFER.

15 (3) EXCEPT AS OTHERWISE PROVIDED IN § 12-103(D) OF THIS
16 TITLE, THE RECORDATION TAX IS APPLIED AT THE RATE SET UNDER
17 § 12-103(B) OF THIS TITLE BY THE COUNTY WHERE THE REAL PROPERTY IS
18 LOCATED.

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

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

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

29 (II) THE TRANSFER IS NOT MADE IN ACCORDANCE WITH A
30 PLAN OF TRANSFER.

31 (3) THE RECORDATION TAX IS NOT IMPOSED ON THE TRANSFER
32 OF A CONTROLLING INTEREST IN A REAL PROPERTY ENTITY TO ANOTHER
33 BUSINESS IF THE OWNERSHIP INTERESTS IN THE TRANSFEREE BUSINESS
34 ENTITY ARE HELD BY THE SAME PERSONS AND IN THE SAME PROPORTION AS IN
35 THE REAL PROPERTY ENTITY THE CONTROLLING INTEREST OF WHICH WAS
36 TRANSFERRED.

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

4 (I) A SUBSIDIARY CORPORATION, ALL OF THE STOCK OF
5 WHICH IS OWNED, DIRECTLY OR INDIRECTLY, BY A COMMON PARENT
6 CORPORATION;

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

10 (III) THE COMMON PARENT CORPORATION.

11 (5) THE RECORDATION TAX IS NOT IMPOSED ON THE TRANSFER
12 OF A CONTROLLING INTEREST IN A REAL PROPERTY ENTITY IF THE
13 TRANSFEREE OF THE CONTROLLING INTEREST IN THE REAL PROPERTY ENTITY
14 IS:

15 (I) A NONSTOCK CORPORATION ORGANIZED UNDER TITLE
16 5, SUBTITLE 2 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE; AND

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

20 (6) THE RECORDATION TAX IS NOT IMPOSED ON THE TRANSFER
21 OF A CONTROLLING INTEREST IF THE TRANSFER, FOR FEDERAL INCOME TAX
22 PURPOSES, DOES NOT INVOLVE THE RECOGNITION OF GAIN OR LOSS,
23 INCLUDING THE NONRECOGNITION OF GAIN OR LOSS BECAUSE OF THE
24 APPLICATION OF § 332, § 337, § 351, § 368(A)(1), § 721, § 731, OR § 1031 OF THE
25 INTERNAL REVENUE CODE.

26 ~~(6)~~ (7) THE REAL PROPERTY ENTITY HAS THE BURDEN OF
27 ESTABLISHING TO THE SATISFACTION OF THE DEPARTMENT THE
28 APPLICABILITY OF ANY EXEMPTION REFERRED TO IN PARAGRAPHS (1)
29 THROUGH ~~(5)~~ (6) OF THIS SUBSECTION.

30 (D) (1) THE REAL PROPERTY ENTITY SHALL FILE WITH THE
31 DEPARTMENT A REPORT OF ANY TRANSFER OF A CONTROLLING INTEREST IN
32 THE REAL PROPERTY ENTITY THAT IS COMPLETED WITHIN A PERIOD OF 12
33 MONTHS OR LESS WITHIN 30 DAYS FOLLOWING THE DATE OF THE FINAL
34 TRANSFER.

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

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

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

7 **(III) ANY EXEMPTION PROVIDED FOR IN SUBSECTION (C) OF**
8 **THIS SECTION.**

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

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

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

12 **(E) (1) IF ANY TAX DUE UNDER THIS SECTION REMAINS UNPAID FOR**
13 **30 DAYS AFTER THE DATE OF THE FINAL TRANSFER:**

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

16 **(II) A PENALTY OF 10% OF THE UNPAID AMOUNT SHALL BE**
17 **DUE.**

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

20 **(3) FOR REASONABLE CAUSE, THE DEPARTMENT MAY WAIVE THE**
21 **IMPOSITION OF INTEREST OR PENALTY.**

22 **(F) THIS SECTION DOES NOT APPLY TO:**

23 **(1) A PLEDGE OF STOCK OR OTHER INTEREST IN A REAL**
24 **PROPERTY ENTITY AS SECURITY FOR A LOAN; OR**

25 **(2) THE ADMISSION TO THE REAL PROPERTY ENTITY OF**
26 **ADDITIONAL SHAREHOLDERS, PARTNERS, BENEFICIAL OWNERS, OR OTHER**
27 **MEMBERS INCIDENT TO THE RAISING OF ADDITIONAL CAPITAL THROUGH A**
28 **PUBLIC OR PRIVATE OFFERING OF STOCK OR OTHER INTERESTS IN THE REAL**
29 **PROPERTY ENTITY IF:**

1 (I) **THE EFFECTIVE MANAGEMENT OF THE REAL PROPERTY**
2 **ENTITY IS NOT SUBSTANTIALLY CHANGED; AND**

3 (II) **UNDER THE TERMS OF THE OFFERING, NONE OF THE**
4 **NEW MEMBERS IS EXPECTED TO PARTICIPATE IN THE DAY-TO-DAY**
5 **MANAGEMENT OF THE REAL PROPERTY ENTITY.**

6 (G) (1) **THE DEPARTMENT SHALL ADOPT REGULATIONS TO**
7 **ADMINISTER THIS SECTION.**

8 (2) **THE REGULATIONS SHALL INCLUDE ANY ADDITIONAL**
9 **STANDARDS AND EXEMPTIONS TO ASSURE THAT:**

10 (I) **A TAX IS IMPOSED WHEN A TRANSACTION IS**
11 **STRUCTURED INVOLVING A CONTROLLING INTEREST IN A REAL PROPERTY**
12 **ENTITY TO AVOID PAYMENT OF THE RECORDATION TAX;**

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

15 (III) **THERE IS NO DOUBLE TAXATION OF A SINGLE**
16 **TRANSACTION.**

17 **13-103.**

18 (A) **IN THIS SECTION, “CONTROLLING INTEREST”, “REAL PROPERTY”,**
19 **AND “REAL PROPERTY ENTITY” HAVE THE MEANINGS STATED IN § 12-117 OF**
20 **THIS ARTICLE.**

21 (B) (1) **THE TAXES UNDER THIS TITLE ARE IMPOSED ON THE**
22 **TRANSFER OF A CONTROLLING INTEREST IN A REAL PROPERTY ENTITY AS IF**
23 **THE REAL PROPERTY, DIRECTLY OR BENEFICIALLY OWNED BY THE REAL**
24 **PROPERTY ENTITY, WAS CONVEYED BY AN INSTRUMENT OF WRITING THAT IS**
25 **RECORDED WITH THE CLERK OF THE CIRCUIT COURT FOR A COUNTY OR FILED**
26 **WITH THE DEPARTMENT UNDER § 13-202 OF THIS TITLE.**

27 (2) **THE TAXES UNDER THIS SECTION ARE IMPOSED ON THE**
28 **CONSIDERATION PAYABLE FOR THE TRANSFER OF THE CONTROLLING INTEREST**
29 **IN THE REAL PROPERTY ENTITY OR ON THE VALUE OF THE REAL PROPERTY**
30 **DIRECTLY OR BENEFICIALLY OWNED BY THE REAL PROPERTY ENTITY, AS**
31 **PROVIDED IN § 12-117(B)(2) OF THIS ARTICLE.**

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

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

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

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

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

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

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

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

21 13-209.

22 (a) (1) THE DEPARTMENT SHALL DEDUCT THE COST OF
23 ADMINISTERING THE TRANSFER TAX FROM THE TAXES COLLECTED UNDER THIS
24 TITLE AND CREDIT THOSE REVENUES TO THE FUND ESTABLISHED UNDER
25 § 1-203.3 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE.

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

29 SECTION 10. AND BE IT FURTHER ENACTED, That, notwithstanding any
30 other provision of law, from the sales and use tax revenue collected from January 1,
31 2008, through the end of June 30, 2008, the Comptroller shall distribute \$110,000,000
32 to the State Police Helicopter Replacement Fund established under § 2-801 of the
33 Public Safety Article.

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

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

6 (2) notwithstanding §§ 13–602 and 13–702 of the Tax – General
7 Article, the Comptroller shall assess interest and penalties under §§ 13–602 and
8 13–702 of the Tax – General Article:

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

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

13 2. less than ~~135%~~ 120% of the tax paid for the prior
14 taxable year, reduced by the credit allowed under § 10–703 of the Tax – General
15 Article; or

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

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

20 2. less than 125% of the tax paid for the prior taxable
21 year.

22 SECTION ~~8~~ 12. AND BE IT FURTHER ENACTED, That the Comptroller shall
23 adopt regulations that will exempt from the increase in the rate of the sales and use
24 tax under § 11–104 of the Tax – General Article as enacted by Section 2 of this Act any
25 otherwise taxable sales of tangible personal property to contractors or builders to be
26 used for the construction, repair, or alteration of real property, on contracts entered
27 into prior to the effective date of the sales and use tax increase under § 11–104 of the
28 Tax – General Article as enacted by Section 2 of this Act. The exemption may be in the
29 form of a refund, credit, or, to the extent practicable, deduction at the time of sale. The
30 regulations shall be applicable only with respect to the 1% increase in the rate of the
31 sales and use tax which becomes effective January 3, 2008.

32 SECTION 13. AND BE IT FURTHER ENACTED, That, notwithstanding any
33 other provision of law, except as otherwise provided in regulations that the
34 Comptroller adopts, the reports and statements required for a taxable year beginning
35 before January 1, 2007, under §§ 10–402(c)(2)(vi) and 10–804.1 of the Tax – General
36 Article as enacted by Section 6 of this Act shall be submitted as part of a corporation’s
37 tax return for the corporation’s next taxable year beginning after December 31, 2006,
38 and shall be reflected in the Comptroller’s reports to be submitted in 2008 to the

1 Governor and General Assembly under §§ 10-402(c)(vii) and 10-804.1 of the Tax –
2 General Article.

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

19 SECTION 15. AND BE IT FURTHER ENACTED, That § 13-809 of the
20 Transportation Article as enacted by Section 6 of this Act shall be applicable to all
21 certificates of title issued in the State on or after January 1, 2008, and to all motor
22 vehicles, trailers, or semitrailers subject to the excise tax that are in interstate
23 operation and registered under § 13-109(c) or (d) of the Transportation Article without
24 a certificate of title on or after January 1, 2008.

25 SECTION 16. AND BE IT FURTHER ENACTED, That, notwithstanding the
26 provisions of Section 6 of this Act, the modified definition of “total purchase price” for
27 the purposes of the calculation of the motor vehicle excise tax imposed on a vehicle
28 under § 13-809(a) of the Transportation Article as enacted under Section 6 of this Act
29 does not apply until any Consolidated Transportation Bonds that were issued by the
30 Department of Transportation before January 1, 2008 no longer remain outstanding
31 and unpaid; provided, however, that in any fiscal year for which funds are
32 appropriated by the General Assembly to pay the principal of and interest on the
33 Department of Transportation’s Consolidated Transportation Bonds due and payable
34 in that fiscal year, the Motor Vehicle Administration shall collect the reduced motor
35 vehicle excise tax imposed on a vehicle by utilizing the modified definition as enacted
36 under Section 6 of this Act.

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

41 ~~(1) the Budget Bill for fiscal 2010 include a General Fund~~
42 ~~appropriation for the payment of debt service on State bonds in an amount not less~~
43 ~~than the amount estimated to be sufficient to allow the Board of Public Works to~~

1 ~~establish a property tax rate of 10.2 cents per \$100 of assessed value for real property~~
 2 ~~other than operating property of a public utility;~~

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

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

13 ~~SECTION 11. 17. AND BE IT FURTHER ENACTED, That it is the intent of the~~
 14 ~~General Assembly that, if the voters of this State at the next general election to be~~
 15 ~~held in November 2008 adopt a constitutional amendment that allows the operation of~~
 16 ~~video lottery gaming in the State, the distribution of corporate income tax revenues be~~
 17 ~~altered to provide for a distribution to the Higher Education Investment Fund and the~~
 18 ~~Gasoline and Motor Vehicle Revenue Account in the Transportation Trust Fund~~
 19 ~~required equal to half of the revenue required to be distributed to the General Fund of~~
 20 ~~the State required under § 2-613.1 of the Tax – General Article as enacted by Section~~
 21 ~~4 of this Act continue in fiscal year 2010 and each subsequent fiscal year beginning in~~
 22 ~~fiscal year 2011 continue in fiscal year 2010 and each subsequent fiscal year.~~

23 ~~SECTION 12. 18. AND BE IT FURTHER ENACTED, That Sections 1, 4, and 5~~
 24 ~~and 4 of this Act shall be applicable to all taxable years beginning after December 31,~~
 25 ~~2007.~~

26 ~~SECTION 13. 19. AND BE IT FURTHER ENACTED, That Section 2 of this Act~~
 27 ~~shall take effect January 3, 2008.~~

28 ~~SECTION 14. 20. AND BE IT FURTHER ENACTED, That Section 3 of this Act~~
 29 ~~shall take effect July 1, 2008.~~

30 ~~SECTION 21. AND BE IT FURTHER ENACTED, That Section 7 of this Act~~
 31 ~~shall take effect July 1, 2010, and shall be applicable to all fiscal years beginning after~~
 32 ~~June 30, 2010.~~

33 ~~SECTION 22. AND BE IT FURTHER ENACTED, That Section 9 of this Act~~
 34 ~~shall take effect July 1, 2008, and shall be applicable to all transfers of a controlling~~
 35 ~~interest by a real property entity that occur after June 30, 2008; provided, however,~~
 36 ~~that Section 9 of this Act does not apply to any transfer pursuant to an agreement~~
 37 ~~entered into before January 1, 2008.~~

38 ~~SECTION 15. 23. AND BE IT FURTHER ENACTED, That, subject to Sections~~
 39 ~~12 18 through 14 22 of this Act, this Act shall take effect January 1, 2008.~~