

CHAPTER 3

(Senate Bill 2)

AN ACT concerning

Tax Reform ~~and Transportation Investment~~ Act of 2007

FOR the purpose of altering a provision relating to the calculation of the income tax required to be withheld on wages; altering the rates and rate brackets under the State income tax on individuals; ~~altering the definition of “resident” under the Maryland income tax;~~ providing for the application of the income tax rates to nonresidents; ~~altering the amount allowed as a deduction for certain exemptions under the Maryland income tax;~~ altering the amount allowed as a deduction for ~~additional exemptions under the Maryland income tax for certain individuals who as of the last day of the taxable year are blind or are at least a certain age;~~ *certain exemptions under certain circumstances;* altering the calculation of the rate of tax that must be paid to the clerk of the circuit court for a county or to the Department of Assessments and Taxation prior to the recording of certain deeds for the sale of certain property; ~~removing a certain restriction on eligibility to claim a refundable earned income credit under certain circumstances;~~ altering the percentage of the federal earned income credit used for determining the amount that certain individuals may claim as a refundable credit under the Maryland earned income credit under certain circumstances; altering ~~eligibility for and~~ the calculation of a refundable county earned income credit if a county provides a refundable county earned income credit; ~~allowing certain individuals having income not exceeding certain levels a credit against the State income tax in a certain amount; making the credit refundable under certain circumstances;~~ ~~imposing a State admissions and amusement tax on the gross receipts net proceeds derived from the operation of certain bingo games and tip jars; providing for the distribution of certain admissions and amusement tax revenue;~~ altering the maximum rate of the admissions and amusement tax that a county or municipal corporation may set for gross receipts that are also subject to the State sales and use tax; altering the rate of the sales and use tax; altering the percentage of gross receipts from vending machine sales to which the sales and use tax rate applies; altering the calculation of ~~imposing a certain limit on a certain credit relating to collecting and paying the sales and use tax;~~ requiring that the Client Protection Fund of the Bar of Maryland impose certain tax clearance requirements on lawyers relating to the payment of certain annual fees; ~~establishing a Chesapeake Bay 2010 Trust Fund in the Department of Natural Resources as a special fund to be used for certain purposes; providing for the distribution of certain property transfer tax and motor vehicle titling tax revenues to the Fund; providing for the distribution of certain sales and use tax revenues to the Transportation Trust Fund; providing for the pledging of certain revenues for certain purposes;~~

~~increasing the maximum allowable aggregate amount of outstanding and unpaid consolidated transportation bonds and bonds of prior issues; altering the definition of tangible personal property under the sales and use tax to include a right to use certain games of entertainment; altering the definition of "taxable service" under the sales and use tax to impose the tax on certain services; designating certain periods a certain period each year in certain fiscal years to be tax free periods a tax free period during which an exemption from the sales and use tax is provided for the sale of certain appliances and products that meet or exceed certain applicable energy efficiency guidelines and certain solar water heaters; designating certain periods a certain period each year in certain fiscal years to be tax free periods a tax free period during which a certain sales and use tax exemption for the sale of certain clothing or footwear is provided; repealing a prohibition against certain advertisements or statements by vendors regarding the payment of the sales and use tax; authorizing vendors to assume or absorb all or any part of the sales and use tax imposed on a retail sale or use and to pay that sales and use tax on behalf of the buyer; repealing certain sales and use tax exemptions relating to certain computer services; providing that the sales and use tax does not apply to a sale of computer services for use by a certain individual participating in a certain home school program; altering the State income tax rate on the Maryland taxable income of corporations; requiring the Comptroller to distribute certain corporate income tax revenues for certain fiscal years to a certain special fund and a certain account in the Transportation Trust Fund to the General Fund of the State for certain fiscal years to a certain special fund; requiring that the Comptroller distribute certain income tax revenues to the General Fund of the State; establishing the Higher Education Investment Fund; specifying that the Fund is a special, nonlapsing fund, that the State Treasurer shall hold the Fund separately, and that the Comptroller shall account for the Fund; specifying that the Fund consists of certain revenues and other moneys accepted for certain purposes; requiring certain investment earnings to be credited to the Fund; allowing the Fund to be used only for certain purposes and under certain circumstances; altering a certain modification under the Maryland income tax relating to certain federal tax changes; requiring certain corporations to compute Maryland taxable income using a certain method; providing that, subject to regulations of the Comptroller, certain groups of corporations shall file a combined income tax return reflecting the aggregate income tax liability of all of the members of the group; requiring the Comptroller to adopt certain regulations; requiring certain regulations to be consistent with certain regulations adopted by the Multistate Tax Commission; establishing the Maryland Business Tax Reform Commission to review and evaluate the State's current business tax structure and to make certain recommendations; providing for the membership and staffing of the Commission; prohibiting members of the Commission from receiving certain compensation but authorizing the reimbursement of certain expenses; requiring an interim report by a certain date; requiring a final report by a certain date; requiring certain corporations engaged in manufacturing to submit certain reports as part of their income tax returns; requiring an individual to file a copy~~

of the individual's federal income tax return with the Comptroller under certain circumstances; requiring certain corporations to file certain statements with the Comptroller; requiring that certain statements be treated as confidential taxpayer information; requiring the Comptroller to develop and implement a certain enforcement system for certain filing requirements; imposing certain penalties for certain violations; requiring the Comptroller to publish certain names and penalties imposed for certain violations; requiring the Comptroller to collect, compile, and analyze certain information and to use certain information to provide certain analyses to the Governor and General Assembly; requiring the Comptroller to submit certain reports to the Governor and General Assembly; requiring the Comptroller to adopt certain regulations; altering the vehicle excise tax rate for certain motor vehicles, trailers, and semitrailers; altering a definition under the motor vehicle excise tax to reduce the total purchase price on which the tax is calculated by an allowance for certain trade-in considerations; altering the distribution of revenue collected from certain special license tag fees; altering the distribution of revenue collected from certain security interest filing fees; requiring the Governor to include certain appropriations in the budget bill for certain fiscal years; imposing recordation and transfer taxes on the transfer of controlling interest in certain entities owning certain interests in real property in Maryland; requiring the filing of a certain report; providing for a filing fee; establishing the rate of taxation and the method of calculation of tax liability; exempting certain transfers; providing for interest and a penalty for certain filings; requiring the Department of Assessments and Taxation to adopt certain regulations; requiring the Department to deduct and credit certain revenues to a certain fund; altering the tobacco tax rate for cigarettes and certain tobacco intended to be placed in the oral cavity; altering the information required to be stated in a tobacco tax return; altering a certain discount provision under the tobacco tax; providing for the application of the tobacco tax to certain cigarettes; altering the application of the tobacco tax to certain cigars weighing no more than a certain amount or meeting certain other criteria for production type, size, content, and cost; providing a certain rate of tax for little cigars; requiring a manufacturer that distributes free sample little cigars in the State to complete and file certain returns and pay certain tax on those little cigars; requiring that little cigars be sold in a certain manner; providing for a certain reduction in the increase of the tobacco tax rate for cigarettes under certain circumstances; requiring the Comptroller to determine the amount of the reduction subject to certain requirements; providing for the distribution of certain sales and use tax revenue collected for a certain period to a certain special fund; requiring the Comptroller to assess interest and penalties under certain circumstances for a certain taxable year; requiring the Comptroller to adopt regulations to exempt from a certain rate increase certain sales related to contracts entered into prior to a certain date; stating the intent of the General Assembly that certain general fund appropriations for certain purposes be included in the State budget for certain fiscal years under certain circumstances; stating the intent of the General Assembly that certain distributions of certain revenues continue for certain fiscal years under certain circumstances; stating the intent of the

General Assembly that certain corporate income tax revenues be distributed to the Higher Education Investment Fund beginning in a certain fiscal year under certain circumstances; requiring the Comptroller to submit certain reports to the Governor and General Assembly; defining certain terms; repealing certain obsolete provisions of law; providing for the effective dates and application of this Act; providing for the termination of certain provisions of this Act; and generally relating to Maryland taxes and revenues.

BY repealing and reenacting, without amendments,

Article – Tax – General

Section 2-106(c)(3) and (d)(3), 10-207(r), ~~and 10-908(d)~~ 10-908(d), and 12-303(b)

Annotated Code of Maryland

(2004 Replacement Volume and 2007 Supplement)

BY repealing and reenacting, with amendments,

Article – Tax – General

Section 2-106(f), ~~2-202,~~ 2-614, 2-615, ~~2-1103, 2-1303, 4-105(b), 10-101(k)(1)(i),~~ 10-102.1(d)(1), 10-105, 10-210.1(b)(3), 10-211, 10-402(c)(2)(vi) and (vii), 10-601, 10-704, 10-804(e)(3)(ii) and (iii), 10-908(e) and (f), 10-912(c), ~~11-101(m)~~ 11-101(k)(2) and (m), 10-811, 11-104(a) and (b), 11-105, 11-219, 11-226, 11-228, 11-301, 11-302, 11-402, 11-601(b)(1), 12-101(e), 12-105(a) 12-105, and 12-303(b) ~~12-201(a), 12-202, and 12-302(a)~~ 11-105, and 11-219

Annotated Code of Maryland

(2004 Replacement Volume and 2007 Supplement)

BY adding to

Article – Tax – General

~~Section 2-613.1, 10-402.1, and 10-726~~

~~Section 2-613.1, 2-1302.2, 4-102(d), 4-105(a-1), 10-110, 10-804.1, 11-101(e-1) and (e-2), 12-101(b-1) and (b-2)~~

Section 2-613.1, 10-110, 10-804.1, and 11-101(c-1)

Annotated Code of Maryland

(2004 Replacement Volume and 2007 Supplement)

BY repealing and reenacting, with amendments,

Article – Business Occupations and Professions

Section 10-313

Annotated Code of Maryland

(2004 Replacement Volume and 2007 Supplement)

~~BY repealing and reenacting, with amendments,~~

~~Article – Natural Resources~~

~~Section 5-903(b)~~

~~Annotated Code of Maryland~~

~~(2005 Replacement Volume and 2007 Supplement)~~

BY adding to

~~Article — Natural Resources
Section 4-209(k), 8-205, and 8-707(d)
Annotated Code of Maryland
(2005 Replacement Volume and 2007 Supplement)~~

~~BY repealing and reenacting, with amendments,~~

~~Article — Transportation
Section 3-202, 3-215(b), and 8-402
Annotated Code of Maryland
(2001 Replacement Volume and 2007 Supplement)~~

~~BY repealing and reenacting, with amendments,~~

~~Article — Transportation
Section 13-613(d), 13-809(a)(3), (b)(1), and (c)(1), and 13-814
Annotated Code of Maryland
(2006 Replacement Volume and 2007 Supplement)~~

BY repealing

~~Article — Tax — General
Section 2-1104 and 11-225
Annotated Code of Maryland
(2004 Replacement Volume and 2007 Supplement)~~

BY adding to

Article – Education
Section 15-106.6
Annotated Code of Maryland
(2006 Replacement Volume and 2007 Supplement)

BY adding to

~~Article 24 — Political Subdivisions — Miscellaneous Provisions
Section 9-1104
Annotated Code of Maryland
(2005 Replacement Volume and 2007 Supplement)~~

BY adding to

~~Article — Environment
Section 9-1605.3
Annotated Code of Maryland
(2007 Replacement Volume and 2007 Supplement)~~

BY repealing

~~Article — Transportation
Section 13-208 and 13-613(e)~~

~~Annotated Code of Maryland
(2006 Replacement Volume and 2007 Supplement)~~

~~BY adding to~~

~~Article – Commercial Law
Section 11-5B-01 through 11-5B-03 to be under the new subtitle “Subtitle 5B,
Little Cigar Sales of Fewer Than Five Per Package”
Annotated Code of Maryland
(2005 Replacement Volume and 2007 Supplement)~~

BY repealing and reenacting, with amendments,

Article – Tax – Property
Section 12-110(d) and 13-209(a)
Annotated Code of Maryland
(2007 Replacement Volume)

BY adding to

Article – Tax – Property
Section 12-117 and 13-103
Annotated Code of Maryland
(2007 Replacement Volume)

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

Article – Tax – General

2-106.

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

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

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

~~10-101.~~

~~(k) (1) “Resident” means:~~

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

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

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

10-102.1.

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

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

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

10-105.

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

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

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

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

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

(V) ~~6%~~ 5% OF MARYLAND TAXABLE INCOME OF \$150,001 THROUGH ~~\$500,000~~ **\$300,000;**

(VI) 5.25% OF MARYLAND TAXABLE INCOME OF \$300,001 THROUGH \$500,000; AND

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

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

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

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

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

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

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

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

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

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

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

(V) ~~6%~~ 5% OF MARYLAND TAXABLE INCOME OF \$200,001 THROUGH ~~\$500,000~~ \$350,000;

(VI) 5.25% OF MARYLAND TAXABLE INCOME OF \$350,001 THROUGH \$500,000; AND

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

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

(D) FOR A NONRESIDENT:

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

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

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

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

10-207.

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

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

10-211.

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

(1) ~~\$2,400 \$2,600~~ **\$3,200** for each exemption that the individual may deduct in the taxable year to determine federal taxable income under § 151 of the Internal Revenue Code[:

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

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

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

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

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

(2) **AN ADDITIONAL ~~\$2,400~~ ~~\$2,600~~ \$3,200** for each dependent, as defined in § 152 of the Internal Revenue Code, who is at least 65 years old on the last day of the taxable year[, an additional:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10-601.

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

10-704.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

~~10-726.~~

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

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

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

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

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

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

~~(I) A FIDUCIARY; OR~~

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

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

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

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

10-908.

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

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

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

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

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

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

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

10-912.

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

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

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

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

Article - Tax - General

~~2-202.~~

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

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

~~(2) the remaining admissions and amusement tax revenue;~~

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

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

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

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

~~4-102.~~

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

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

~~4-105.~~

~~(A-1) THE RATE OF THE STATE ADMISSIONS AND AMUSEMENT TAX IMPOSED ON ELECTRONIC BINGO OR ELECTRONIC TIP JARS UNDER § 4-102(D)~~

~~OF THIS SUBTITLE IS 20% OF THE GROSS RECEIPTS NET PROCEEDS SUBJECT TO THE TAX.~~

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

~~11-104.~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11-105.

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

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

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

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

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

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

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

~~(H) (C)~~ **FROM JANUARY 3, 2008 THROUGH JUNE 30, 2011:**

(1) THE CREDIT ALLOWED UNDER SUBSECTION (A) OF THIS SECTION MAY NOT EXCEED \$500 FOR EACH RETURN; AND

(2) FOR A VENDOR WHO FILES OR IS ELIGIBLE TO FILE A CONSOLIDATED RETURN UNDER § 11-502 OF THIS TITLE, THE TOTAL MAXIMUM CREDIT THAT THE VENDOR IS ALLOWED UNDER THIS SECTION FOR ALL RETURNS FILED FOR ANY PERIOD IS ~~\$1,000~~ \$500.

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

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

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

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

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

~~11-301.~~

~~The sales and use tax is computed on:~~

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

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

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

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

~~**Article Natural Resources**~~

~~5-903.~~

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

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

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

~~8-205.~~

~~(A) THERE IS A CHESAPEAKE BAY 2010 TRUST FUND.~~

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

~~(C) THE SECRETARY SHALL ADMINISTER THE FUND.~~

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

~~(2) THE TREASURER SHALL HOLD THE FUND SEPARATELY, AND THE COMPTROLLER SHALL ACCOUNT FOR THE FUND.~~

~~(E) THE FUND CONSISTS OF:~~

~~(1) MONEY APPROPRIATED IN THE STATE BUDGET FOR THE FUND;~~

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

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

~~(4) ANY OTHER MONEY FROM ANY OTHER SOURCE ACCEPTED FOR THE BENEFIT OF THE FUND.~~

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

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

~~(2) ANY INVESTMENT EARNINGS OF THE FUND SHALL BE RETAINED TO THE CREDIT OF THE FUND.~~

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

~~Article Tax General~~

~~2-1302.2.~~

~~AFTER MAKING THE DISTRIBUTIONS REQUIRED UNDER §§ 2-1301 THROUGH 2-1302.1 OF THIS SUBTITLE, THE COMPTROLLER SHALL PAY 8.3% OF THE REMAINING SALES AND USE TAX REVENUE TO THE TRANSPORTATION TRUST FUND ESTABLISHED UNDER § 3-216 OF THE TRANSPORTATION ARTICLE.~~

~~2-1303.~~

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

- ~~(1) revenues from the hotel surcharge into the Dorchester County Economic Development Fund established under Article 83A, § 5-216 of the Code; and~~
- ~~(2) the remaining sales and use tax revenue into the General Fund of the State.~~

~~Article Transportation~~

~~3-202.~~

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

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

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

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

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

~~3-215.~~

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

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

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

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

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

~~8-402.~~

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

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

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

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

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

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

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

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

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

~~13-814.~~

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

~~(B) [Money] AFTER THE DISTRIBUTION UNDER SUBSECTION (A) OF THIS SECTION, MONEY collected under this part shall be deposited in the State Treasury and accounted for on the records of the State Comptroller and transferred to the Transportation Trust Fund.~~

Article - Business Occupations and Professions

10-313.

(a) By August 31 of each year, the Fund shall provide to the Department of Assessments and Taxation a list of lawyers who have paid an annual fee to the Fund during the previous fiscal year, to assist the Department of Assessments and Taxation in identifying new businesses within the State.

(b) The list provided under this section shall:

(1) be provided free of charge; and

(2) include, for each person on the list:

(i) the name and mailing address of the person; and

(ii) the federal tax identification number of the person or, if the person does not have a federal tax identification number, the Social Security number of the person.

(C) BEFORE ANY ANNUAL FEE REQUIRED UNDER THIS PART IS ACCEPTED FROM A LAWYER AND IS DEEMED PAID, THE FUND SHALL VERIFY THROUGH THE OFFICE OF THE COMPTROLLER THAT THE LAWYER HAS PAID ALL UNDISPUTED TAXES AND UNEMPLOYMENT INSURANCE CONTRIBUTIONS PAYABLE TO THE COMPTROLLER OR THE SECRETARY OF LABOR, LICENSING, AND REGULATION OR THAT THE LAWYER HAS PROVIDED FOR PAYMENT IN A MANNER SATISFACTORY TO THE UNIT RESPONSIBLE FOR COLLECTION.

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

Article - Tax - General

11-101.

(C-1) (1) "COMPUTER SERVICE" INCLUDES:

(I) COMPUTER FACILITIES MANAGEMENT AND OPERATION;

(II) CUSTOM COMPUTER PROGRAMMING;

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

(IV) COMPUTER DISASTER RECOVERY; AND

(V) DATA PROCESSING, STORAGE, AND RECOVERY;

~~(V)~~ (VI) HARDWARE OR SOFTWARE INSTALLATION OR MAINTENANCE, MAINTENANCE, AND REPAIR.

~~(2) "COMPUTER SERVICE" DOES NOT INCLUDE:~~

~~(I) DATA PROCESSING OR ENTRY; OR~~

~~(II) COMPUTER TRAINING.~~

(2) "COMPUTER SERVICE" DOES NOT INCLUDE:

(I) INTERNET ACCESS, AS DEFINED IN THE FEDERAL INTERNET TAX FREEDOM ACT;

(II) TYPING OR DATA ENTRY ON WORD PROCESSING EQUIPMENT;

(III) COMPUTER TRAINING;

(IV) THE INSTALLATION, MAINTENANCE, OR REPAIR OF TANGIBLE PERSONAL PROPERTY OTHER THAN COMPUTER HARDWARE OR SOFTWARE THAT INCLUDES COMPUTER HARDWARE OR SOFTWARE AS A COMPONENT PART; OR

(V) A SERVICE OTHERWISE DESCRIBED IN PARAGRAPH (1) OF THIS SUBSECTION THAT IS PROVIDED AS PART OF OR IN CONNECTION WITH:

1. ELECTRONIC FUND TRANSFERS, FINANCIAL TRANSACTIONS, AUTOMATED TELLER MACHINE TRANSACTIONS, OR OTHER BANKING OR TRUST SERVICES;

2. BUSINESS MANAGEMENT, ACCOUNT MANAGEMENT, PERSONNEL, PAYROLL, EMPLOYEE BENEFIT, OR OTHER ADMINISTRATIVE SERVICES;

3. EDUCATIONAL, LEGAL, ACCOUNTING, ARCHITECTURAL, ACTUARIAL, MEDICAL, MEDICAL DIAGNOSTIC, OR OTHER PROFESSIONAL SERVICES; OR

4. TELECOMMUNICATIONS SERVICES.

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

~~(k) (2) "Tangible personal property" includes:~~

~~(i) farm equipment;~~

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

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

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

(m) "Taxable service" means:

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

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

(3) cleaning of a commercial or industrial building;

(4) cellular telephone or other mobile telecommunications service;

(5) "900", "976", "915", and other "900"-type telecommunications service;

(6) custom calling service provided in connection with basic telephone service;

(7) a telephone answering service;

(8) pay per view television service;

(9) credit reporting;

(10) a security service, including:

(i) a detective, guard, or armored car service; and

(ii) a security systems service;

(11) a transportation service for transmission, distribution, or delivery of electricity or natural gas, if the sale or use of the electricity or natural gas is subject to the sales and use tax; [or]

(12) a prepaid telephone calling arrangement; OR

~~(13) A REAL PROPERTY MANAGEMENT SERVICE; OR~~

~~(14) A TANNING, MASSAGE, PHYSICAL FITNESS, SAUNA, OR STEAM BATH FACILITY OR SERVICE.~~

~~(13) A COMPUTER SERVICE; OR~~

~~(14) A LANDSCAPING SERVICE.~~

11-219.

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

(1) is not a taxable service; and

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

~~(b) The sales and use tax does not apply to a sale of **COMPUTER SERVICES FOR USE BY AN INDIVIDUAL PARTICIPATING IN A HOME SCHOOL PROGRAM AS AN ALTERNATIVE TO ATTENDANCE AT PUBLIC OR PRIVATE SCHOOL FOR ELEMENTARY OR SECONDARY EDUCATION.** [custom computer software services relating to procedures and programs that:~~

(1) otherwise are taxable under this title;

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

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

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

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

(i) the general public; or

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

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

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

~~11-225.~~

~~(a) In this section, "computer program" means a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result.~~

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

~~(1) reproduced for sale; or~~

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

~~11-226.~~

~~[(a) The sales and use tax does not apply to the sale of the following electric appliances that meet or exceed the applicable Energy Star efficiency requirements developed by the United States Environmental Protection Agency and the United States Department of Energy:~~

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

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

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

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

~~(1) a fuel cell that:~~

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

~~(ii) has an electricity only generation efficiency greater than 35%; and~~

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

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

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

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

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

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

~~(A) (1) IN THIS SUBSECTION, "ENERGY STAR PRODUCT" MEANS AN AIR CONDITIONER, CLOTHES WASHER OR DRYER, FURNACE, HEAT PUMP, STANDARD SIZE REFRIGERATOR, COMPACT FLUORESCENT LIGHT BULB, DEHUMIDIFIER, OR PROGRAMMABLE THERMOSTAT THAT HAS BEEN DESIGNATED AS MEETING OR EXCEEDING THE APPLICABLE ENERGY STAR EFFICIENCY REQUIREMENTS DEVELOPED BY THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY AND THE UNITED STATES DEPARTMENT OF ENERGY.~~

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

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

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

~~(II) SOLAR WATER HEATER.~~

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

~~11-228.~~

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

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

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

~~11-302.~~

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

- ~~(1) stated [and charged] separately from the sale price; and~~
- ~~(2) shown separately from the sale price on any record of a sale:~~
 - ~~(i) at the time of the sale;~~
 - ~~(ii) when the vendor issues evidence of the sale; or~~
 - ~~(iii) when the vendor uses evidence of the sale.~~

~~11-402.~~

~~[A] SUBJECT TO § 11-302 OF THIS TITLE, A vendor may [not directly or indirectly advertise, state, or otherwise hold out that any part of the sales and use tax:~~

- ~~(1) will be assumed or absorbed by the vendor;~~
- ~~(2) will not be added to the taxable price of tangible personal property or a taxable service; or~~
- ~~(3) will be refunded if added to the taxable price of tangible personal property or a taxable service];~~

~~(1) ASSUME OR ABSORB ALL OR ANY PART OF THE SALES AND USE TAX IMPOSED ON A RETAIL SALE OR USE; AND~~

~~(2) PAY THAT SALES AND USE TAX ON BEHALF OF THE BUYER.~~

~~11-601.~~

~~(b) (1) A vendor who makes a sale subject to the sales and use tax shall pay the sales and use tax that the vendor collects for that sale OR THAT THE VENDOR ASSUMES OR ABSORBS FOR THAT SALE with the return that covers the period in which the vendor makes that sale.~~

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

Article - Education

15-106.6.

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

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

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

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

(2) THE PURPOSE OF THE FUND IS TO:

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

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

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

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

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

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

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

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

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

(7) THE FUND CONSISTS OF:

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

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

(8) THE COMMISSION SHALL ADMINISTER THE FUND.

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

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

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

(III) FOR WORKFORCE DEVELOPMENT INITIATIVES ADMINISTERED BY THE COMMISSION.

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

Article - Tax - General

2-613.1.

~~AFTER MAKING THE DISTRIBUTION REQUIRED UNDER § 2-613 OF THIS SUBTITLE, OF THE REMAINING INCOME TAX REVENUE FROM CORPORATIONS,~~

~~FOR FISCAL YEARS 2008 AND 2009 ONLY, THE COMPTROLLER SHALL DISTRIBUTE MONTHLY:~~

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

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

AFTER MAKING THE DISTRIBUTION REQUIRED UNDER § 2-613 OF THIS SUBTITLE;

(1) FOR FISCAL YEARS 2008 AND 2009 ONLY, OF THE REMAINING INCOME TAX REVENUE FROM CORPORATIONS, THE COMPTROLLER SHALL DISTRIBUTE MONTHLY:

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

~~(II) 6.25% TO THE GENERAL FUND; AND~~

(I) FOR FISCAL YEAR 2008 ONLY:

1. \$16,000,000 TO THE HIGHER EDUCATION INVESTMENT FUND ESTABLISHED UNDER § 15-106.6 OF THE EDUCATION ARTICLE; AND

2. THE AMOUNT BY WHICH 15.15% OF THE REMAINING INCOME TAX REVENUE FROM CORPORATIONS EXCEEDS \$16,000,000 TO THE GENERAL FUND; AND

(II) FOR FISCAL YEAR 2009 ONLY:

1. 6% TO THE HIGHER EDUCATION INVESTMENT FUND ESTABLISHED UNDER § 15-106.6 OF THE EDUCATION ARTICLE; AND

2. 9.15% TO THE GENERAL FUND; AND

(2) FOR FISCAL YEAR 2010 AND SUBSEQUENT FISCAL YEARS, THE COMPTROLLER SHALL DISTRIBUTE ~~12.5%~~ 15.15% OF THE REMAINING INCOME TAX REVENUE FROM CORPORATIONS TO THE GENERAL FUND OF THE STATE.

2-614.

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

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

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

2-615.

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

10-105.

(b) The State income tax rate for a corporation is [7%] ~~8%~~ 8.25% of Maryland taxable income.

10-210.1.

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

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

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

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

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

~~Article Tax General~~

~~10-402.1.~~

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

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

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

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

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

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

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

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

~~(2) DETERMINE THE PART OF THE UNITARY GROUP'S MARYLAND MODIFIED INCOME THAT IS DERIVED FROM OR REASONABLY ATTRIBUTABLE TO TRADE OR BUSINESS CARRIED ON IN THE STATE USING A MARYLAND APPORTIONMENT FRACTION OF THE UNITARY GROUP, BASED ON NUMERATORS AND DENOMINATORS OF THE PROPERTY, PAYROLL, AND SALES FACTORS UNDER § 10-402 OF THIS SUBTITLE COMPUTED BY COMBINING THOSE AMOUNTS ASSOCIATED WITH THE ACTIVITIES OF THE CORPORATION WITH THE ACTIVITIES OF OTHER MEMBERS OF THE UNITARY GROUP, DISREGARDING TRANSACTIONS~~

~~BETWEEN MEMBERS OF THE UNITARY GROUP TO ACCURATELY REFLECT THE INCOME ALLOCABLE TO MARYLAND; AND~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

~~10-811.~~

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

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

Article - Tax - General

10-110.

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

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

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

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

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

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

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

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

(1) A CHAIR, APPOINTED BY THE GOVERNOR;

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

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

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

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

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

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

(8) A REPRESENTATIVE OF THE MARYLAND ASSOCIATION OF COUNTIES;

(9) A REPRESENTATIVE OF THE MARYLAND MUNICIPAL LEAGUE;

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

(11) THREE MEMBERS OF THE PUBLIC, EACH OF WHOM SHALL BE AN ATTORNEY AT LAW OR AN ACCOUNTANT KNOWLEDGEABLE ABOUT THE STATE'S BUSINESS TAX STRUCTURE, APPOINTED BY THE GOVERNOR.

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

(E) A MEMBER OF THE COMMISSION:

(1) MAY NOT RECEIVE COMPENSATION; BUT

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

(F) ON OR BEFORE DECEMBER 15, 2010, THE COMMISSION SHALL SUBMIT AN INTERIM REPORT OF ITS FINDINGS AND RECOMMENDATIONS TO THE

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

(G) ON OR BEFORE DECEMBER 15, 2011, THE COMMISSION SHALL SUBMIT A FINAL REPORT OF ITS FINDINGS AND RECOMMENDATIONS TO THE GOVERNOR AND, IN ACCORDANCE WITH § 2-1246 OF THE STATE GOVERNMENT ARTICLE, TO THE GENERAL ASSEMBLY.

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

Article - Tax - General

10-402.

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

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

2. volume of sales in the State and worldwide;

3. taxable income in the State and worldwide; and

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

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

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

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

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

10-804.

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

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

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

1. for a corporation;

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

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

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

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

10-804.1.

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

(2) "CORPORATE GROUP" MEANS:

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

(II) AN AFFILIATED GROUP OF CORPORATIONS:

1. THAT IS ENGAGED IN A UNITARY BUSINESS; AND

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

A. A COMMON OWNER OR COMMON OWNERS, EITHER CORPORATE OR NONCORPORATE; OR

B. ONE OR MORE MEMBERS OF THE GROUP.

(3) "DOING BUSINESS IN THE STATE" INCLUDES ENGAGING IN ANY OF THE FOLLOWING ACTIVITIES, WHETHER OR NOT THE CORPORATION ENGAGING IN THE ACTIVITY IS SUBJECT TO THE TAX IMPOSED UNDER THIS TITLE:

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

(II) HAVING EMPLOYEES, AGENTS, OR REPRESENTATIVES ACTING ON THE CORPORATION'S BEHALF IN THE STATE;

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

(IV) REGULARLY AND SYSTEMATICALLY PERFORMING SERVICES FOR CUSTOMERS LOCATED IN THE STATE;

(V) REGULARLY AND SYSTEMATICALLY PERFORMING SERVICES IN THE STATE;

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

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

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

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

(4) “PUBLICLY TRADED CORPORATION” MEANS:

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

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

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

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

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

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

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

(2) A STATEMENT:

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

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

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

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

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

(III) THE CORPORATION'S ~~4-DIGIT~~ 6-DIGIT NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM CODE NUMBER; AND

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

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

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

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

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

- 2. AT LEAST \$10,000,000 BUT LESS THAN \$50,000,000;**
- 3. AT LEAST \$50,000,000 BUT LESS THAN \$100,000,000;**
- 4. AT LEAST \$100,000,000 BUT LESS THAN \$250,000,000; OR**
- 5. AT LEAST \$250,000,000.**

(3) IF A PUBLICLY TRADED CORPORATION IS A MEMBER OF A CORPORATE GROUP AND THE CORPORATE GROUP HAS WORLDWIDE GROSS RECEIPTS FOR THE TAXABLE YEAR IN EXCESS OF \$100,000,000, THE STATEMENT REQUIRED UNDER THIS SUBSECTION SHALL INCLUDE:

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

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

1. THE MEMBERS OF THE CORPORATE GROUP THAT WOULD BE INCLUDED IN THE COMBINED GROUP USING THE “WATER’S EDGE” METHOD FOR PURPOSES OF COMBINED REPORTING AND THE DIFFERENCE IN MARYLAND INCOME TAX THAT WOULD BE OWED IF THE CORPORATION WERE REQUIRED TO USE COMBINED REPORTING USING THE “WATER’S EDGE” METHOD TO DETERMINE ITS MARYLAND INCOME TAX;

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

A. THE PURCHASER IS THE FEDERAL GOVERNMENT;
AND

B. THE PROPERTY IS SHIPPED OR DELIVERED TO A CUSTOMER IN A STATE IN WHICH THE SELLING CORPORATION IS NOT SUBJECT

TO A STATE CORPORATE INCOME TAX OR STATE FRANCHISE TAX MEASURED BY NET INCOME AND COULD NOT BE SUBJECTED TO SUCH A TAX IF THE STATE WERE TO IMPOSE IT;

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

A. THE AMOUNT AND SOURCE OF THAT NONAPPORTIONABLE INCOME;

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

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

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

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

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

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

(II) SHALL BE:

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

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

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

(2) THE STATEMENTS REQUIRED UNDER THIS SECTION FOR THE MEMBERS OF A CORPORATE GROUP SHALL BE SUBMITTED BY THE CORPORATE GROUP IN ONE COMBINED REPORT THAT INCLUDES THE INFORMATION REQUIRED UNDER SUBSECTIONS (B) AND (C) OF THIS SECTION FOR ALL MEMBERS OF THE CORPORATE GROUP.

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

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

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

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

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

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

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

(F) (1) THE COMPTROLLER SHALL:

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

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

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

(2) THE REPORT REQUIRED UNDER THIS SUBSECTION SHALL:

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

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

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

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

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

(I) BUSINESS CATEGORY; AND

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

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

~~Article — Transportation~~

~~13-809.~~

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

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

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

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

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

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

~~Article 24 — Political Subdivisions — Miscellaneous Provisions~~

~~9-1104.~~

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

~~Article — Environment~~

~~9-1605.3.~~

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

~~Article – Natural Resources~~

~~4-209.~~

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

~~8-707.~~

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

~~Article – Tax – General~~

~~2-1103.~~

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

- ~~(1) the remaining motor fuel tax revenue from aviation fuel to the Transportation Trust Fund; and~~
- ~~(2) all remaining motor fuel tax revenue[, equal to the average percentage by which the motor fuel tax rate exceeds 18.5 cents per gallon, to the gasoline and motor vehicle revenue account] TO THE GASOLINE AND MOTOR VEHICLE REVENUE ACCOUNT in the Transportation Trust Fund.~~

~~[2-1104.~~

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

- ~~(1) 0.3% to the Waterway Improvement Fund;~~
- ~~(2) 0.3% to the Fisheries Research and Development Fund;~~
- ~~(3) 2.3% to the General Fund of the State for Chesapeake Bay related programs; and~~

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

~~**Article Transportation**~~

~~13-208.~~

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

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

~~13-613.~~

~~(d) [Except as provided in subsection (c) of this section, of the] **THE** proceeds collected annually from the additional fees charged under this section].~~

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

~~(2) The next \$200,000 shall be used solely for the purposes of the scholarship program authorized by §§ 18-1101 through 18-1105 of the Education Article; and~~

~~(3) Except as otherwise provided by law, any balance shall be distributed to the General Fund of the State] **SHALL BE DISTRIBUTED TO THE TRANSPORTATION TRUST FUND.**~~

~~(e) (1) The Administration shall keep \$12.50 of the fee payable with the original application for special registration under this section to recover the administrative and production costs of the special registration.~~

~~(2) Funds kept by the Administration under this subsection may not be credited to the Gasoline and Motor Vehicle Revenue Account for distribution under § 8-403 or § 8-404 of this article.]~~

~~SECTION 6. 8. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:~~

~~**Article Tax General**~~

~~12-101.~~

~~**(B-1) "LITTLE CIGAR" MEANS ANY ROLL FOR SMOKING THAT:**~~

~~(1) IS MADE OF TOBACCO OR TOBACCO MIXED WITH ANOTHER INGREDIENT;~~

~~(2) IS WRAPPED IN A LEAF OF TOBACCO OR IN ANY OTHER MATERIAL CONTAINING TOBACCO; AND~~

~~(3) (I) WEIGHS LESS THAN 3 POUNDS PER THOUSAND; OR~~

~~(II) MEETS THE FOLLOWING CRITERIA:~~

~~1. IS MACHINE PRODUCED;~~

~~2. HAS A DIAMETER OF LESS THAN ONE HALF INCH;~~

~~3. CONTAINS PIPE TOBACCO; AND~~

~~4. HAS A WHOLESALE PRICE PER STICK OF LESS THAN \$1.25.~~

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

~~(e) (1) "Other tobacco product" means:~~

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

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

~~(2) "OTHER TOBACCO PRODUCT" INCLUDES A LITTLE CIGAR.~~

~~12-105.~~

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

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

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

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

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

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

~~(3) (I) EXCEPT AS PROVIDED IN SUBPARAGRAPH (H) OF THIS PARAGRAPH, THE COMPTROLLER SHALL DETERMINE THE AMOUNT OF THE REDUCTION IN THE TOBACCO TAX RATE UNDER PARAGRAPH (2) OF THIS SUBSECTION.~~

~~(H) THE REDUCTION IN THE AMOUNT OF THE TOBACCO TAX RATE MAY NOT EXCEED:~~

~~1. 25 CENTS FOR EACH PACKAGE OF 10 OR FEWER CIGARETTES;~~

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

~~3. 2 CENTS FOR EACH CIGARETTE IN A PACKAGE OF MORE THAN 20 CIGARETTES; AND~~

~~4. 2 CENTS FOR EACH CIGARETTE IN A PACKAGE OF FREE SAMPLE CIGARETTES.~~

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

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

~~12-201.~~

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

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

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

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

~~12-202.~~

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

~~(1) for cigarettes:~~

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

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

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

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

~~12-302.~~

~~(A) A manufacturer of sample cigarettes OR LITTLE CIGARS shall pay the tobacco tax on those cigarettes OR LITTLE CIGARS distributed in the State without charge, in the manner that the Comptroller requires by regulation, with the return~~

~~that covers the period in which the manufacturer distributed those cigarettes OR LITTLE CIGARS.~~

~~12-303.~~

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

~~**Article – Commercial Law**~~

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

~~**11-5B-01.**~~

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

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

~~(C) “RETAILER” INCLUDES ANY PERSON ENGAGED IN THE BUSINESS OF MAKING RETAIL SALES OF LITTLE CIGARS WITHIN THE STATE AT A STORE, STAND, BOOTH, OR CONCESSION, THROUGH VENDING MACHINES, OR OTHERWISE.~~

~~(D) “SELL” INCLUDES ADVERTISE, OFFER TO SELL, OR OFFER FOR SALE.~~

~~(E) “VENDING MACHINE OPERATOR” MEANS A PERSON THAT:~~

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

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

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

~~(F) (1) "WHOLESALE" MEANS A PERSON THAT PURCHASES LITTLE CIGARS DIRECTLY FROM A MANUFACTURER.~~

~~(2) "WHOLESALE" INCLUDES A PERSON THAT, AS A SUBWHOLESALE:~~

~~(I) PURCHASES LITTLE CIGARS FROM ANOTHER WHOLESALE SOLELY FOR THE PURPOSE OF BONA FIDE RESALE TO RETAILERS OTHER THAN THOSE DIRECTLY OR INDIRECTLY OWNED, AFFILIATED, OR CONTROLLED BY THE SUBWHOLESALE; AND~~

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

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

~~11-5B-02.~~

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

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

~~11-5B-03.~~

~~(A) THE COMPTROLLER SHALL ENFORCE THIS SUBTITLE.~~

~~(B) THE COMPTROLLER SHALL:~~

~~(1) EMPLOY AND DETERMINE THE DUTIES AND COMPENSATION OF THE INSPECTORS AND OTHER PERSONNEL NECESSARY TO ENFORCE THIS SUBTITLE; AND~~

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

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

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

Article - Tax - Property

12-110.

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

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

12-117.

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

(2) **“CONTROLLING INTEREST” MEANS:**

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

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

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

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

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

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

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

(II) "REAL PROPERTY" DOES NOT INCLUDE:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(III) THE COMMON PARENT CORPORATION.

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

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

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

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

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

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

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

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

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

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

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

(I) A \$20 FILING FEE; AND

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

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

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

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

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

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

(F) THIS SECTION DOES NOT APPLY TO:

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

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

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

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

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

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

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

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

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

13-103.

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

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

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

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

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

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

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

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

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

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

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

13-209.

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

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

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

SECTION ~~7, 11,~~ 8. AND BE IT FURTHER ENACTED, That, for a taxable year beginning after December 31, 2007, but before January 1, 2009:

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

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

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

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

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

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

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

2. less than ~~125%~~ 130% of the tax paid for the prior taxable year.

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

SECTION 9. AND BE IT FURTHER ENACTED, That, on or before December 1, 2009, and December 1, 2011, the Comptroller shall report to the Governor and, subject to § 2-1246 of the State Government Article, the General Assembly, on the implementation of the imposition of the sales and use tax on the sale of computer services, as provided for under this Act, and the impact on sales and use tax revenues as a result of the imposition of the sales and use tax on the sale of computer services.

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

~~SECTION 9. 14. AND BE IT FURTHER ENACTED, That all cigarettes used, possessed, or held in the State on or after January 1, 2008, by any person for sale or use in the State, shall be subject to the full tobacco tax of \$2 on cigarettes imposed by~~

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

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

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

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

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

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

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

~~SECTION ~~11, 17,~~ 11. AND BE IT FURTHER ENACTED, That it is the intent of the General Assembly that, if the voters of this State at the next general election to be held in November 2008 adopt a constitutional amendment that allows the operation of video lottery gaming in the State, *if the General Assembly determines it to be affordable and fiscally prudent to do so, legislation shall be adopted by the General Assembly in 2009 to continue* the distribution of corporate income tax revenues ~~be altered to provide for a distribution~~ to the Higher Education Investment Fund ~~and the Gasoline and Motor Vehicle Revenue Account in the Transportation Trust Fund required equal to half of the revenue required to be distributed to the General Fund of the State required under § 2-613.1 of the Tax – General Article as enacted by Section 4 of this Act continue in fiscal year 2010 and each subsequent fiscal year beginning in fiscal year 2011 continue~~ in fiscal year 2010 and each subsequent fiscal year.~~

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

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

~~SECTION ~~14, 20,~~ 13. AND BE IT FURTHER ENACTED, That Section 3 of this Act shall take effect July 1, 2008. *Section 3 shall remain effective for a period of 5 years and, at the end of June 30, 2013, with no further action required by the General Assembly, Section 3 of this Act shall be abrogated and of no further force and effect.*~~

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

~~SECTION ~~22,~~ 14. AND BE IT FURTHER ENACTED, That Section ~~9~~ 7 of this Act shall take effect July 1, 2008, and shall be applicable to all transfers of a controlling interest by a real property entity that occur after June 30, 2008; ~~provided, however, that Section 9 of this Act does not apply to any transfer pursuant to an agreement entered into before January 1, 2008.~~~~

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

Approved by the Governor, November 19, 2007.