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# **Overview of Maryland's Revenue Structure**

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**Presentation to the  
House Ways and Means Committee**

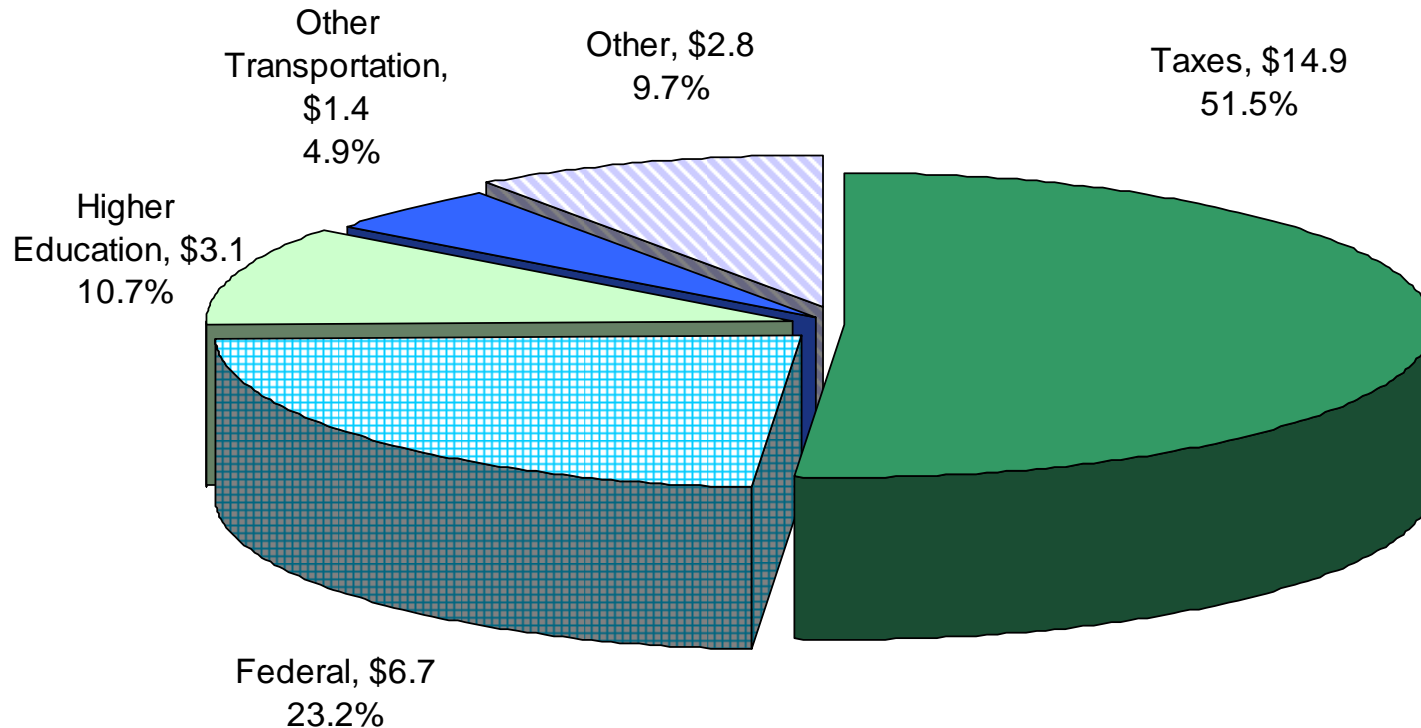
**Department of Legislative Services  
Office of Policy Analysis  
Annapolis, Maryland**

**October 2, 2007**

# Composition of State Revenues – All Funds

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**Fiscal 2008**  
**Estimated Total – \$28.9 Billion**



Notes:

- (1) Taxes include transportation taxes.
- (2) Federal includes federal transportation funds.
- (3) May 2007 estimates.

# Summary of State Taxes – All Funds

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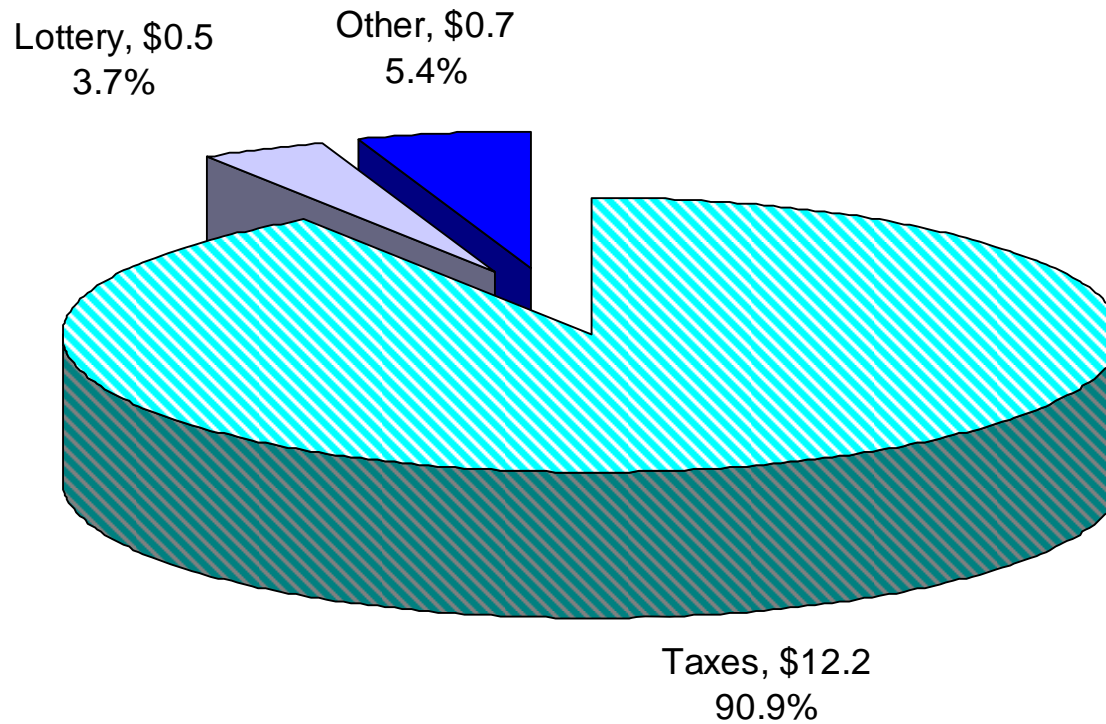
(\$ in Millions)

	<u>FY 2008 Estimate</u>	<u>Percent of Total Taxes</u>
Individual Income Tax	\$7,040.7	47.4%
Sales and Use Tax	3,652.6	24.6%
Fuel Tax and Titling Tax	1,504.7	10.1%
Business Taxes	1,309.7	8.8%
Property Tax	618.1	4.2%
Tobacco Tax	288.3	1.9%
Estate and Inheritance Tax	200.3	1.3%
Property Transfer Tax	188.6	1.3%
Other Taxes	60.0	0.4%
<b>Total Taxes</b>	<b>\$14,863.0</b>	<b>100.0%</b>

# Composition of State General Fund Revenues

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Fiscal 2008  
Estimated Total – \$13.4 Billion



# Summary of State General Fund Revenues

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(\$ in Millions)

	<u>FY 2008 Estimate</u>	<u>Percent of Total Revenues</u>
Individual Income Tax	\$7,040.7	52.4%
Sales and Use Tax	3,622.7	27.0%
Corporate Income Tax	598.1	4.5%
State Lottery	499.2	3.7%
Insurance Premium Tax	293.3	2.2%
Tobacco Tax	288.3	2.1%
Estate and Inheritance Tax	200.3	1.5%
Public Service Company Franchise Tax	129.1	1.0%
Other Taxes	42.6	0.3%
Other Non-tax Revenues	722.9	5.4%
<b>Total GF Revenues</b>	<b>\$13,437.3</b>	<b>100.0%</b>

# Major Sources of Tax Revenue

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- Personal Income Tax
- Corporate Income Tax
- Sales and Use Tax
- Property Tax

# Personal Income Tax

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- **1937** – First enacted to finance federally mandated welfare program
  - Flat rate of 0.5% to sunset at end of tax year 1938
- **1938** – Tax did not expire but was replaced by a classified income tax of 2.5% on ordinary income and 6.0% on investment income
- **1939 to 1967** – Most significant change included increasing the rate to 3.0% of ordinary income

# Personal Income Tax (cont.)

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- **1967** – Basic current structure adopted
  - Graduated income tax rates:
    - 2% of first \$1,000 of taxable income
    - 3% of taxable income between \$1,000 and \$2,000
    - 4% of taxable income between \$2,000 and \$3,000
    - 5% of taxable income over \$3,000
  - State income tax conformed to federal adjusted gross income
  - State income tax becomes largest source of State tax revenue
  - Local income tax authorized

# Personal Income Tax (cont.)

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- **1987** – Income tax relief measures enacted in response to 1986 Federal Tax Reform Act:
  - Personal exemptions increased from \$800 to \$1,100
  - Standard deduction
    - Increased from 13 to 15% of Maryland adjusted gross income
    - Minimum established – \$1,000/\$2,000 joint
    - Maximum increased – from \$1,500/\$3,000 joint to \$2,000/\$4,000 joint
  - Additional deduction for blind or elderly taxpayers
  - Earned income credit enacted (50% of federal earned income credit)
  - Special capital gains treatment provided with a subtraction modification for 40% of net capital gain

# Personal Income Tax (cont.)

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- **1989** – Income tax relief measures enacted in response to large general fund surplus:
  - Personal exemptions increased from \$1,100 to \$1,200
  - Minimum standard deduction increased from \$1,000/\$2,000 to \$1,500/\$3,000 for joint filers
  - Additional deduction for blind or elderly taxpayers converted to an additional exemption
- **1992** – Temporary 6% tax rate imposed for single taxpayers with earnings over \$100,000 and joint taxpayers earning over \$150,000 (tax years 1992 to 1994)

# Personal Income Tax (cont.)

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- **1997** – Tax Reduction Act
  - 10.0% reduction in State income tax – rate reduction (5.0 to 4.75%) and increase in personal exemption (\$1,200 to \$2,400) phased in from tax years 1998 to 2002
- **1998** – Accelerated phase-in of tax reduction for tax years 1998 and 1999. Earned income tax credit made refundable

# Statewide Local Income Tax

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- **1967** – Creation of a mandatory local “piggy-back” income tax. Intended to:
  - Reduce pressure on property taxes
  - Provide additional education funding
  - End local earnings taxes that were based on where a taxpayer worked
- Tax required to be calculated as a percentage of State tax with a mandatory rate set by each local government ranging between 20 and 50%

# Statewide Local Income Tax (cont.)

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- **1992** – Maximum rate of local income tax raised from 50 to 60%
- **1997** – Decoupled from State income tax to avoid reduction in local income tax revenues resulting from the 1997 Tax Reduction Act
  - Required double calculation to determine local income tax
  - Resulted in taxpayer confusion
- **1999** – Altered local income tax to flat tax imposed on Maryland taxable income, but not dependent on State tax rates
  - County tax rates from 1.0 to 3.2%
  - Tax year 2007 median rate: 2.9%

# Personal Income Tax – Computation

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- Federal adjusted gross income – starting point
- Maryland adjusted gross income – federal adjusted gross income plus or minus Maryland addition and subtraction modifications
- Maryland taxable income – Maryland adjusted gross income minus deductions and exemptions
- Gross State tax – Maryland taxable income multiplied by the State tax rates
- State income tax liability – gross State tax less any tax credits
- Local income tax liability – Maryland taxable income multiplied by the local income tax rates

# Income Tax Credits

## Primarily Individual Credits

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- Earned Income Credit (1987)
- Neighborhood Stabilization (1996)
- Income from Installment Sales (1997)
- Refundable Earned Income Credit (1998)
- Poverty Level Credit (1998)
- Child & Dependent Care Expenses (1999)
- Quality Teacher Incentive (1999)
- Long-term Care Premiums (2000)
- Preservation & Conservation Easements (2001)
- Aquaculture Oyster Float (2002)

# Personal Income Tax

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## Maryland and Surrounding States

Tax Year 2007

<u>State</u>	<u>Top State Tax Rate</u>	<u>Top Tax Bracket</u>	<u>Local Taxes</u>
Maryland	4.75%	>\$3,000	Statewide, from 1.0 to 3.2%
Delaware	5.95%	>\$60,000	Wilmington – 1.25%
Washington, DC	8.70%	>\$40,000	n/a
New Jersey	8.97%	>\$500,000	1.0% employer payroll tax in Newark
North Carolina	8.00%	>\$120,000 (Single) >\$200,000 (Married)	None
Pennsylvania	3.07%	Applicable to all income	Widely imposed; rates from 1.0 to 4.5%
Virginia	5.75%	>\$17,000	None
West Virginia	6.50%	>\$60,000	None

# Incidence of Maryland State Income Tax

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- Despite virtually flat tax rates, the Maryland State income tax is progressive in the lower income ranges
- Allowance of personal exemptions and the Maryland Earned Income Credit contribute to progressivity

# Personal Income Tax – Returns and Taxes Paid

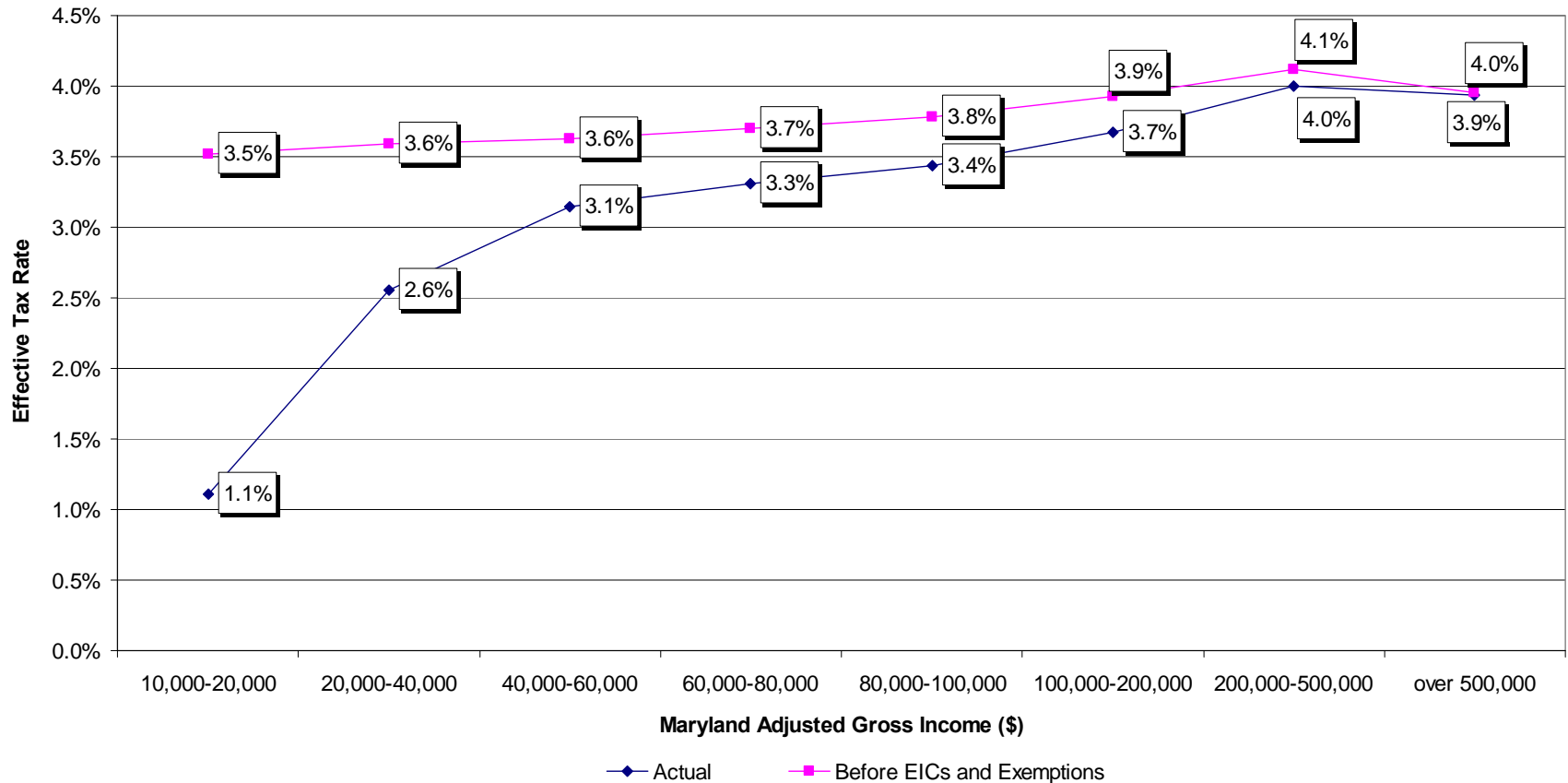
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## Tax Year 2005

<u>Maryland Adjusted Gross Income</u>	<u>Number of Tax Returns</u>	<u>Average Maryland Adjusted Gross Income</u>	<u>Percent of Total Returns</u>	<u>Percent of State Taxes Paid</u>	<u>Average State Taxes Paid</u>
\$10,000 – \$20,000	343,675	\$15,012	13%	1.8%	\$283
\$20,000 – \$40,000	593,117	29,383	22%	8.2%	758
\$40,000 – \$60,000	376,759	49,166	14%	10.6%	1,548
\$60,000 – \$80,000	247,211	69,425	9%	10.4%	2,298
\$80,000 – \$100,000	169,980	89,321	6%	9.5%	3,068
\$100,000 – \$200,000	285,434	133,945	11%	25.6%	4,923
\$200,000 – \$500,000	68,768	283,912	3%	14.2%	11,347
over \$500,000	18,394	1,470,515	1%	19.4%	57,867
<b>All Returns</b>	<b>2,704,384</b>				<b>\$2,028</b>

# Effective Tax Rates by Income Class

Tax Year 2005



EIC: Earned Income Credit

# Maryland Earned Income Credit

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- The Maryland earned income credit (EIC) and its partial refundability are significant features of Maryland's individual income tax
- With virtually flat tax rates under the income tax, the Maryland EIC contributes to progressivity under the income tax in the lower income ranges
- 19 other states and DC offer earned income credits

# Nonrefundable EIC – Overview

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- Since 1987, individuals who qualify for the federal earned income credit have been allowed a “nonrefundable” Maryland earned income credit in an amount equal to 50% of the federal EIC
- The amount of the nonrefundable State EIC may not exceed the individual’s State income tax for the tax year
- A nonrefundable EIC is also allowed against the county income tax in an amount equal to the federal EIC multiplied by 10 times the county tax rate (e.g., 25.0% of the federal EIC for a county with a tax rate of 2.5%)

# Refundable EIC – Overview

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- Since 1998, an individual who qualifies for the federal EIC and who has one or more dependents is also allowed a “refundable” State EIC
- Under current law, an eligible individual may claim a refund in the amount by which 20% of the federal EIC exceeds the individual’s State income tax liability (as calculated before the application of the 50% nonrefundable EIC)
- Counties are authorized by State law to provide a refundable county EIC. No counties have exercised this authority. Montgomery County has a “refundable EIC” that was established in 1999 independent of the authority granted under the State income tax law

# Fiscal Impact of Maryland EIC

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- In tax year (TY) 2005, 250,830 tax returns (about 10% of all individual income tax returns) claimed approximately \$70.3 million in nonrefundable State EIC
- Of those, 211,141 returns, or 84% of the returns claiming the EIC, claimed approximately \$91.4 million in State refundable EIC

# History of Maryland EIC

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- **1987** – Nonrefundable EIC enacted as part of income tax relief measures enacted in response to the 1986 Federal Tax Reform Act
- **1998** – EIC made partially refundable, based on:
  - 10.0% of federal EIC for TY 1998 and 1999
  - 12.5% for TY 2000
  - 15.0% thereafter
- **2000** – 15% refundable EIC accelerated to TY 2000
- **2001** – Refundable percentage phased up from 15% over a four-year period, to 20% for TY 2004 and beyond

# Maryland EIC – Eligibility

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- Eligibility for the nonrefundable State credit and the amount of the State credit are tied directly to the federal earned income credit
- To be eligible for the refundable State EIC, an individual must be eligible for the federal EIC and must have at least one dependent
- To be eligible for the federal EIC, an individual must have income less than the applicable limit for the tax year and:
  - Have at least one “qualifying child” who meets specified requirements; or
  - If no qualifying child, must be between 25 and 65 years of age and meet other specified requirements

# Federal EIC – Maximum Credit Amount and Phase-out Amounts – TY 2006

Number of Qualifying Children	Maximum Credit Amount	Single/Head of Household		Married Filing Jointly	
		Phase-out Begins	Fully Phased Out	Phase-out Begins	Fully Phased Out
0	\$412	\$6,740	\$12,120	\$8,740	\$14,120
1	2,747	14,810	32,001	16,810	34,001
2 or more	4,536	14,810	36,348	16,810	38,348

# Maryland EIC

## Impact on Representative Taxpayers

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- For purposes of the following examples, it is assumed that:
  - The taxpayer meets all eligibility requirements for the federal earned income credit
  - All of the taxpayer's income is earned income
  - The taxpayer claims the standard deduction
  - No other subtraction modifications or credits are claimed
- Computations are based on earned income and phase-out amounts under federal law for TY 2006

# Representative Taxpayer 1

## Single, No Qualifying Children

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<u>Income</u>	<u>Maryland Taxable Income</u>	<u>State Tax Before EIC</u>	<u>Maryland EIC</u>	<u>Tax After EIC</u>	<u>Refundable EIC</u>
\$5,000	\$1,100	\$53	\$192	–	Not Eligible
10,000	6,100	380	80	\$300	
12,500	8,225	481	–	481	
15,000	10,600	594	–	594	
20,000	15,600	831	–	831	
25,000	20,600	1,069	–	1,069	
30,000	25,600	1,306	–	1,306	
35,000	30,600	1,544	–	1,544	

EIC: Earned Income Credit

# Representative Taxpayer 2

## Head of Household, 1 Qualifying Child

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<u>Income</u>	<u>Maryland Taxable Income</u>	<u>State Tax Before EIC</u>	<u>Maryland EIC</u>	<u>Tax After EIC</u>	<u>Refundable EIC</u>
\$5,000	–	–	\$855	–	\$342
10,000	2,200	\$138	1,374	–	411
12,500	4,700	313	1,374	–	236
15,000	7,200	432	1,357	–	111
20,000	12,200	670	957	–	–
25,000	16,450	871	558	\$314	–
30,000	21,200	1,097	158	939	–
35,000	26,200	1,335	–	1,335	–

EIC: Earned Income Credit

# Representative Taxpayer 3

## Married Filing Jointly, 2 Qualifying Children

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<u>Income</u>	<u>Maryland Taxable Income</u>	<u>State Tax Before EIC</u>	<u>Maryland EIC</u>	<u>Tax After EIC</u>	<u>Refundable EIC</u>
\$5,000	–	–	\$1,005	–	\$402
10,000	–	–	2,005	–	802
12,500	–	–	2,268	–	907
15,000	2,400	\$146	2,268	–	761
20,000	7,400	442	1,930	–	330
25,000	11,650	643	1,403	–	–
30,000	16,400	869	877	–	–
35,000	21,400	1,107	350	\$757	–

EIC: Earned Income Credit

# Maryland Earned Income Credit

## Recent Proposals

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- **SB 526/HB 223 (2007)**

- Would have increased the percentage on which the refundable portion of the State EIC is based from 20 to 25% of the federal EIC
- Estimated annual revenue cost to the State of approximately \$35 million

- **HB 851 (2007)**

- Would have increased the value of the nonrefundable EIC from 50 to 75% of the federal EIC, the increase to be phased in over a five-year period
- Estimated annual revenue cost to the State of approximately \$12 million when fully phased in

- **HB 534 (2007)**

- Would have under specified circumstances provided a State EIC to noncustodial parents making child support payments who would not otherwise be eligible for the credit
- Estimated annual revenue cost to the State of roughly \$3 million

# Corporate Income Tax

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- **1937** – Rate of 0.5% on ordinary income of corporation
- **1938 to 1968** – Rate increases, ultimately to 7.0% by 1968
- **1967** – Corporate income tax conformed to federal tax definition of taxable income

# Corporate Income Tax – Computation

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- Federal taxable income – starting point
- Maryland modified income – federal taxable income plus or minus Maryland addition and subtraction modifications
- Maryland taxable income:
  - Wholly local corporation – Maryland modified income is Maryland taxable income
  - Multistate corporation – determines portion of Maryland modified income attributable to Maryland based on amount of business carried out in Maryland
- Maryland tax liability is Maryland taxable income times tax rate (7%) minus any tax credits

# Corporate Income Tax

## Recent Significant Changes

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- Apportionment formula for multistate corporations
  - Sales factor double-weighted (1992)
  - Single sales factor adopted for manufacturers (2001)
- Expanded applicability of the tax to:
  - Long distance telephone companies (1992)
  - Financial institutions (1995, 2000)
  - Local telephone companies (1997)
  - Electric and gas utilities (1999)
- Prevention of tax avoidance mechanisms
- Tax credits

# Corporate Income Tax Compliance

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- Increased concern in recent years over corporate income tax avoidance in the wake of highly publicized cases involving federal and State corporate income tax avoidance
- Recent legislation included measures designed to prevent corporations from avoiding income taxes by shifting income away from the State through the use of tax avoidance techniques
- Chapters 556 and 557 of 2004 restricted the use of Delaware Holding Companies and established a statutory settlement period for related litigation
- Chapter 583 of 2007 limited the use of Captive Real Estate Investment Trusts to avoid State corporate income taxes

# Income Tax Credits

## Primarily Business Credits

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- Enterprise Zone Wage (1982)
- Maryland-mined coal (1987)
- Work, Not Welfare (1995)
- Job Creation (1996)
- Heritage Structure Rehabilitation (1996)
- Community Investment (1997)
- Businesses that Create New Jobs (1997)
- Telecommunications Utility Operating Real Property (1997)
- Maryland Disability Employment (1997)
- Employer-provided Long-term Care Insurance (1998)
- Water Quality Improvement (1998)
- Employer-provided Commuter Benefits (1999)
- One Maryland Economic Development (1999)
- Electric Generating Utility Operating Real Property (1999)
- Multijurisdictional Electric Company Headquarters (1999)
- Clean Energy Incentive (2000)
- Research and Development (2000)
- Green Building Credits (2001)
- Long-term Employment of Qualified Ex-felons (2002)
- Biotechnology Investment (2005)

# Corporate Income Tax Rates

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## Maryland and Surrounding States

Tax Year 2007

<u>State</u>	<u>Tax Rate</u>
Pennsylvania	9.99%
Washington, DC	9.975%
New Jersey	9.0%
West Virginia	8.75%
Delaware	8.7%
<b>Maryland</b>	<b>7.0%</b>
North Carolina	6.9%
Virginia	6.0%

# Corporate Income Tax Issues and Recent Proposals

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- Unitary Business Principle / Apportionment of Income
- Combined Reporting
- Throwback Rule
- Allocation of Non-apportionable Income

# Corporate Income Tax

## Unitary Business Principle

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- “Unitary business” — where in-state and out-of-state operations of a multistate enterprise are interdependent on and contribute to one another
- Where a unitary business exists, the income of the enterprise attributable to a particular state:
  - is not accurately reflected in a separate geographical accounting; and
  - is better measured by “formulary apportionment” of income based on the operations of the entire unitary business within and outside the state

# Corporate Income Tax – Apportionment

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- Before 1992, 3-factor apportionment formula, taking into account sales, property, and payroll, applied to most corporate taxpayers
- 1992 – sales factor double weighted
- 2001 – “single sales factor” apportionment adopted for manufacturers
- Double-weighting of sales factor and single sales factor apportionment reduces the tax for “in-state” taxpayers, apportioning more (or all) income based on location of sales rather than property or payroll

# Apportionment – Illustration

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- Corporation X, doing business in State A and in State B, has a total income of \$100
- Corporation X's property, payroll, and sales are divided as follows between State A and State B:

	<b>State A</b>	<b>State B</b>	<b>Total</b>
Property	\$20	\$80	\$100
Payroll	20	80	100
Sales	50	50	100

# Apportionment – Illustration (cont.)

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- Under different apportionment methods, Corporation X's income tax would be computed as follows:

<b>Apportionment Method</b>	<b>Taxable Income</b>	
	<b>State A</b>	<b>State B</b>
Equal 3 factor	\$3.00	\$7.00
Double-weighted sales factor	\$3.50	\$6.50
Single sales factor	\$5.00	\$5.00

# Apportionment – Illustration (cont.)

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- In State B, where most of property and payroll are located:
  - Less taxable income under double-weighted sales method than under equal 3 factor
  - Even less taxable income under single sales factor
- If State A and State B use the same apportionment method, and Corporation X is subject to tax in each state, 100% of total taxable income is taxed under each method
- Use of different apportionment methods by State A and State B may result in taxation of less than 100% or more than 100% of taxable income
- Tax savings may result if:
  - Corporation X is not subject to tax in one of the states
  - Tax rates of State A and State B are different

# Corporate Income Tax

## Unitary Business Principle in Maryland

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- The application of the unitary business principle is limited in Maryland for multi-corporate enterprises because of the requirement for “separate reporting” by each separate corporation
- Even though the activities of related corporations may constitute a single unitary business, the affiliated corporations that lack nexus with the State (or are protected from taxation by federal law) are not subject to the State income tax – neither the net income nor the apportionment factors of those affiliated corporations are considered for purposes of the tax

# Corporate Income Tax – Combined Reporting

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- Under combined reporting, formal corporate structure is disregarded to determine the share of income of a multistate enterprise that is attributable to a state
- The combined income of all members of a unitary group is taken into account. The combined taxable income is then apportioned to the state using the combined apportionment factors of all the members of the group
- Approximately 21 states currently require some type of combined reporting
- Implementing combined reporting could generate approximately \$25 million annually

# Corporate Income Tax – Throwback Rule

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- Under current law, the sales factor of the apportionment fraction is determined by including in the denominator all sales of the corporation and by including in the numerator only those sales of property delivered or shipped to a purchaser within the State
- Federal constitutional and statutory nexus requirements may prevent other states from imposing corporate income taxes on Maryland corporations even though they make sales in those states
- The interaction of Maryland's existing apportionment of income rules and the federal nexus restrictions may result in income that is apportioned nowhere for state corporate income tax purposes and is not taxed

# Corporate Income Tax – Throwback Rule (cont.)

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- Many states attempt to address “nowhere income” by imposing a “throwback rule” under the sales factor of the apportionment formula
- Under the throwback rule, sales to a purchaser located in another state where the seller is not taxable are included (or “thrown back”) in the numerator of the state from which the seller made the sale
- Imposing a throwback rule could generate up to \$20 million annually

# Throwback Rule – Illustration

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- Corporation X, having a total income of \$10, makes sales in State A and State B but its activities in State B are limited so that it is not subject to tax in that state
- Corporation X's property, payroll, and sales are divided as follows between State A and State B:

	<b>State A</b>	<b>State B</b>	<b>Total</b>
Property	\$100	\$0	\$100
Payroll	100	0	100
Sales	50	50	100

## Throwback Rule – Illustration (cont.)

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- Corporation X is not subject to tax in State B
- State A tax computation:

<b>Apportionment Method</b>		<b>Taxable Income</b>
Double-weighted sales factor	Without throwback rule	\$7.5
	With throwback rule	10
Single sales factor	Without throwback rule	5
	With throwback rule	10

# Corporate Income Tax

## Allocation of Non-apportionable Income

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- Unlike most other states, Maryland does not distinguish between “business” and “nonbusiness” (or nonoperational) income. The Maryland statute provides that all income of a multistate corporation doing business in the State is apportioned
- Federal constitutional limitations prevent a state other than a corporation’s “home” state from taxing the corporation’s nonoperational income. Thus, Maryland cannot tax any portion of a nondomiciliary corporation’s nonoperational income
- Conversely, the nonoperational income of Maryland-based firms with multistate operations, which is apportioned away from Maryland, cannot be taxed by any other state

# Corporate Income Tax

## Allocation of Non-apportionable Income (cont.)

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- Under this concept, to the extent allowed under the U.S. Constitution, if the principal place from which the trade or business of a corporation is directed or managed is in the State, all of the corporation's nonoperational income would be allocated to Maryland for purposes of the corporate income tax
- Providing for the allocation of non-apportionable income to Maryland could generate up to \$5 million annually

# Sales and Use Tax

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- **1947** – 2% tax on sales and use of tangible property in the State
  - Exemptions included:
    - Food consumed off-premises
    - Medicines
    - Aids for disabled individuals
    - Seed and livestock feed
    - Gasoline and motor vehicles (Motor Fuel Tax enacted in 1922; Titling Tax enacted in 1933)
    - Services
  - A compensating use tax was imposed on the use of tangible personal property whether or not the sale was made in the State

# Sales and Use Tax (cont.)

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- **1950s** – Court challenge to use tax. Supreme Court ruled that the State could not require out-of-state sellers to pay or collect use tax
- **1958 to 1977** – Rate increases
  - 1958 – 3%
  - 1970 – 4%
  - 1977 – 5%

# Sales and Use Tax (cont.)

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- **1980** – Sales of manufacturing machinery and equipment, residential utilities, and cigarettes exempted from tax (cigarette exemption repealed in 1991)
- **1992** – Expanded sales tax base by repealing/limiting several exemptions and expanding the tax to specified services
  - Services taxed included cellular telephone and other mobile telecommunication services and security, custom telephone, credit reporting, and pay-per-view television services
  - Provisions regarding exemptions included the repeal of the exemption for newspapers and the imposition of the tax on snack foods and foods for immediate consumption

# Sales and Use Tax

## Significant Changes Since 1992

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- Repeal of “snack tax” and new exemptions enacted for food sold through vending machines (“snack foods” – 1996; “wholesome foods” – 1999)
- New and expanded exemptions for property used in manufacturing and research and development
- Tax-free periods for back-to-school shopping (2001 and 2006)

# State Sales and Use Taxes

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## Maryland and Surrounding States

### Tax Year 2007

#### Exemptions

<u>State</u>	<u>% Tax Rate</u>	<u>Food</u>	<u>Prescription Drugs</u>	<u>Local Sales Tax</u>
Maryland	5.0	✓	✓	No
Delaware				No state or local sales tax
Washington, DC	5.75	✓	✓	n/a
New Jersey	7.0	✓	✓	No
North Carolina	4.0	✓	✓	Yes – Rates from 2.5 to 3.0%
Pennsylvania	6.0	✓	✓	Philadelphia and Allegheny County have 1.0% rates
Virginia	4.0		✓	Yes – 1.0%
West Virginia	6.0		✓	No

# Sales and Use Tax – Services

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- Maryland currently taxes a limited number of services under the sales and use tax
- A handful of states tax a significant number of services under the sales and use tax or an excise tax – these include Hawaii, New Mexico, South Dakota, and West Virginia
- Delaware and Washington State tax a large number of services through the imposition of business gross receipts taxes
- Proposals in recent years, most recently HB 448 and HB 1022 of 2007, would have imposed the sales tax on numerous services currently not taxed

# Property Tax

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- State property tax dates back to the 18th century. State property tax revenues are dedicated entirely to pay the debt service on State general obligation bonds
- Dramatic decline in importance of property tax for State revenue during the 20th century
- Historically, the property tax was a local tax that provided the largest source of revenue for local governments
- There has also been a decline in the importance of property taxes for local revenue with the establishment of the “piggy back” tax and increased State aid

# Property Tax (cont.)

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- In the early 20th century, the property tax constituted almost 50% of total State tax receipts
- By 1940, the property tax constituted 13% of total State tax receipts
- For fiscal 2008, the property tax will provide about 4.2% of total State tax receipts

# Property Tax (cont.)

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- **1975** – Homeowners' (Circuit Breaker) Property Tax Credit Program – State reimbursement to local governments for credits provided against State and local property tax to homeowners who qualify based on property tax liability and income
- **1977** – Homestead Tax Credit program limited annual assessment increases for owner-occupied real property – capped the amount assessment could increase due to assessed value to 15%

# Property Tax (cont.)

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- **1979** – Triennial assessment law enacted
- **1990** – Homestead tax credit revised from 15% limit to lower limit of zero to 10%, as set by local governments
- **2000** – Assessment method for property tax changed to method of full value assessment; State rate changed to 8.4 cents per \$100 of assessment to reflect this change

# Property Tax (cont.)

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- **2003** – Governor’s Supplemental Budget withdrew general fund appropriation to subsidize debt service. Included in budget approved by General Assembly
  - This action required the Board of Public Works to increase the State property tax rate from 8.4 cents to 13.2 cents (first increase since 1982)
- **2006** – After leaving the State property tax rate at 13.2 cents in 2004 and 2005, the Board of Public Works reduced the tax rate to 11.2 cents

# Property Tax – Controlling Interests

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- Under current law, businesses are able to avoid property transfer and recordation taxes on “controlling interest” transfers by creating a corporation or limited-liability company and purchasing real property in the name of the entity. This entity's sole asset will typically be the real property
- When in the future it is desired to transfer ownership of the real property, instead of transferring the property directly, the owners transfer the ownership interest in the entity that owns the real property
- As a result, no deed for the transfer of the real property is ever recorded, and thus transfer and recordation taxes are not paid when the property is in effect transferred to new ownership

# Property Tax – Controlling Interests (cont.)

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- Providing for the taxation of these controlling interest transfers could generate approximately \$15 million annually in State special fund revenues and approximately \$50 million in local revenues

# State and Local Government Revenue

## Maryland and Neighboring States

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- Maryland stands out as a state that relies more on taxes than non-tax sources for our revenue. Almost 60% of Maryland State and local government revenue comes from tax sources, compared to the national average of just over 51%
- Delaware has a lower reliance on taxes than Maryland because of a much higher use of charges (especially for transportation and higher education tuition) and miscellaneous revenues (including gambling)
- Pennsylvania relies less on taxes than Maryland in part because of its greater reliance on revenue from the federal government. This is partially due to Pennsylvania's higher level of Medicaid reimbursement
- Virginia's distribution of revenues is not very different from Maryland's. Virginia relies less on taxes and federal revenues, but slightly more on charges and miscellaneous revenues
- West Virginia relies less on tax revenues, but more on federal and miscellaneous revenues (including gambling)

# Maryland State and Local Revenues: 2004-2005

## Comparison to Neighboring States

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### Revenue by Type as a Percentage of Total Revenues

	Intergovernmental				Total Revenues
	from Federal Government	Taxes	Charges & Utilities <sup>(1)</sup>	Misc. <sup>(2)</sup>	
<b>Maryland</b>					
Percent	18.8%	59.6%	13.7%	7.9%	100%
Rank	36	3	44	35	
<b>Delaware</b>					
Percent	17.2%	47.5%	18.7%	16.5%	100%
Rank	46	35	27	2	
<b>Pennsylvania</b>					
Percent	22.0%	52.4%	16.3%	9.3%	100%
Rank	24	15	33	20	
<b>Virginia</b>					
Percent	14.0%	56.0%	20.0%	10.0%	100%
Rank	50	7	21	14	
<b>West Virginia</b>					
Percent	28.2%	44.2%	15.1%	12.6%	100%
Rank	7	42	40	5	
<b>U.S. Average</b>					
	<b>20.5%</b>	<b>51.2%</b>	<b>19.7%</b>	<b>8.6%</b>	<b>100%</b>

Note: For the rankings, 1 indicates the highest and 51 the lowest.

- (1) Charges include higher education tuition, fees and auxiliary revenues, public hospital revenues, sewer and trash collection fees, highway tolls, and other user charges and fees. Utilities include the gross receipts of publicly owned utilities (water, gas, electric, and transit).
- (2) Miscellaneous revenues include interest earnings, net lottery revenues, liquor store revenues, rents, royalties, fines and forfeitures, special assessments, sale of property, and other.

Source: *Government Finances*, 2004-05, U.S. Census Bureau (June 2007)

# State and Local Government Tax Revenue

## Maryland and Neighboring States

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- Relative to the other states, Maryland's reliance on the personal income tax is high, mostly reflecting the statewide local income tax
- Delaware relies less on property and sales taxes and more on the corporate income tax and license fees. Delaware does not impose a general sales tax but does impose business and occupational license taxes on the gross receipts of most businesses
- Pennsylvania relies slightly more on business taxes and somewhat less on the individual income tax
- With the exception of the local income tax and the property tax, the overall mix of taxes in Virginia is similar to the mix in Maryland
- West Virginia relies less on property and personal income taxes, but significantly more on sales and corporate income taxes

# Maryland State and Local Tax Revenues: 2004-2005

## Comparison to Neighboring States

### Tax Revenues by Type as a Percentage of Total Tax Revenue

	Property Tax	Personal Income Tax	Corporate Income Tax	Sales & Selective Taxes <sup>(1)</sup>	License Fees	Other Taxes <sup>(2)</sup>
<b>Maryland</b>						
Percent	23.4%	38.3%	3.4%	24.1%	3.1%	7.7%
Rank	41	2	26	44	46	8
<b>Delaware</b>						
Percent	14.8%	28.4%	7.6%	12.4%	29.4%	7.4%
Rank	48	11	4	50	1	9
<b>Pennsylvania</b>						
Percent	29.1%	24.9%	3.7%	29.6%	6.8%	5.9%
Rank	28	19	20	37	11	13
<b>Virginia</b>						
Percent	30.3%	30.2%	2.2%	27.6%	6.0%	3.7%
Rank	24	9	42	40	17	20
<b>West Virginia</b>						
Percent	18.2%	21.1%	8.4%	39.8%	6.2%	6.4%
Rank	44	33	3	16	15	12
<b>U.S. Average</b>	<b>30.6%</b>	<b>22.0%</b>	<b>3.9%</b>	<b>35.0%</b>	<b>5.2%</b>	<b>3.3%</b>

Note: For the rankings, 1 indicates the highest. Rankings are out of 51 except for the personal income tax (out of 44) and the corporate income tax (out of 49).

- (1) Includes the general sales tax along with selective taxes such as excise taxes on alcohol and tobacco products, motor fuel taxes, titling taxes, admissions and amusement taxes, insurance premium taxes, public utility gross receipts taxes, and others.
- (2) Includes death and gift taxes, documentary and stock transfer taxes, severance taxes, and other taxes.

Source: *Government Finances*, 2004-05, U.S. Census Bureau (June 2007)

# Local Government Tax Revenue Maryland and Neighboring States

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- The use of the personal income tax at the local level sets Maryland apart from other states. Maryland ranks 2nd in its reliance on the personal income tax. As a consequence of using the personal income tax as a major source of revenues, local governments in Maryland rely much less on property and sales taxes
- Local governments in neighboring states have a greater reliance on the property tax, with West Virginia, Virginia, Pennsylvania, and Delaware higher than or close to the national average in reliance on the property tax
- In Pennsylvania and Delaware, there is some reliance on the personal income tax at the local level. Pennsylvania ranks 5th nationally in personal income tax revenue, and Delaware ranks 7th
- Virginia local governments rely more on local sales taxes, with about 18% of their revenue coming from the sales tax

# Maryland Local Tax Revenues: 2004-2005

## Comparison to Neighboring States

### Tax Revenues as a Percent of Total Tax Revenue

	Property Tax	Personal Income Tax	Corporate Income Tax	Sales & Selective Taxes <sup>(1)</sup>	License Fees	Other Taxes <sup>(2)</sup>
Maryland						
Percent	48.7%	33.6%	0.0%	4.6%	0.0%	13.1%
Rank	47	2	n/a	35	51	2
Delaware						
Percent	70.7%	7.2%	0.0%	1.2%	5.1%	15.8%
Rank	32	7	n/a	44	10	1
Pennsylvania						
Percent	71.1%	17.0%	0.0%	2.2%	2.2%	7.6%
Rank	31	5	n/a	40	31	5
Virginia						
Percent	71.3%	0.0%	0.0%	18.4%	8.8%	1.5%
Rank	30	n/a	n/a	21	5	20
West Virginia						
Percent	80.4%	0.0%	0.0%	4.6%	12.8%	2.2%
Rank	20	n/a	n/a	34	1	16
<b>U.S. Average</b>	<b>72.4%</b>	<b>4.6%</b>	<b>1.0%</b>	<b>16.0%</b>	<b>3.2%</b>	<b>2.8%</b>

Note: For the rankings, 1 indicates the highest. Rankings are out of 51 except for the personal income tax (out of 14), the corporate income tax (out of 2), the sales tax (out of 50), and license fees (out of 36). If the rank is "n/a," the state does not have that tax.

- (1) Includes the general sales tax along with selective taxes such as excise taxes on alcohol and tobacco products, motor fuel taxes, titling taxes, admissions and amusement taxes, insurance premium taxes, public utility gross receipts taxes, and others.
- (2) Includes death and gift taxes, documentary and stock transfer taxes, severance taxes, and other taxes.

Source: *Government Finances*, 2004-05, U.S. Census Bureau (June 2007)

# Appendix

# Federal EIC – History

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- Began in 1975 as a temporary program designed to return a portion of the Social Security taxes paid by lower-income taxpayers. Made permanent in 1978
- Federal Tax Reform Act of 1986 increased the maximum benefit of the credit and phase-out levels and indexed the credit to inflation
- The value and phase-out levels of the federal earned income credit were enhanced again in the 1990s, with differing credit amounts provided for individuals having different numbers of qualifying children, and a limited credit provided to individuals without qualifying children

# Federal EIC – Fiscal Impact

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- For federal fiscal 2007, approximately \$42.8 billion will be claimed by all taxpayers nationwide in federal earned income credits (including nonrefundable and refundable credits)
- Maryland taxpayers claimed \$597.4 million in nonrefundable federal earned income credits for tax year 2004 and \$530.2 million in refundable credits

# Federal EIC – Eligibility

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- “Qualifying child”:
  - May only be claimed by one person for purposes of the EIC
  - Must meet three tests: relationship, age, and residency
- Additional requirements for eligibility include:
  - Investment income may not exceed specified amount (\$2,800 for TY 2006)
  - Must have a valid Social Security Number
  - If married, must file a joint return
  - Must be a U.S. citizen or resident alien for the entire year
  - Must meet restrictions regarding foreign earned income
  - May not be the “qualifying child” of another taxpayer

# Federal EIC – Statutory Maximum Earned Income Amount and Phase-out Amount

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	<b>Earned Income Amount</b>	<b>Phase-out Amount</b>
No qualifying children	\$4,220	\$5,280
One qualifying child	6,330	11,610
Two or more qualifying children	8,890	11,610

- Statutory amounts specified for TY 1996 in table are increased for inflation for subsequent years
- For married couples filing joint returns, the phase-out amounts in the table are increased by:
  - \$2,000 for tax years before 2008
  - \$3,000 for tax years 2008 and beyond

# Federal EIC – Basic Computation

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- The federal EIC equals the applicable credit percentage multiplied times the lesser of:
  - The taxpayer's earned income; or
  - The specified maximum earned income amount
- Maximum credit allowable phases out as a taxpayer's adjusted gross income exceeds specified amounts
- The applicable credit percentage, maximum earned income credit amount, phase-out percentage, and phase-out amount all depend on the taxpayer's filing status and number of qualifying children

# Federal EIC – Statutory Credit Percentage and Phase-out Percentage

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	<b>Credit Percentage</b>	<b>Phase-out Percentage</b>
No qualifying children	7.65%	7.65%
One qualifying child	34.00%	15.98%
Two or more qualifying children	40.00%	21.06%

# Maryland State and Local Revenues: 2004-2005 Comparison to Neighboring States

	Revenue Per Capita					Per Capita Personal Income
	Intergovt. from Fed.	Taxes	Charges & Utilities <sup>(1)</sup>	Misc. <sup>(2)</sup>	Total Revenues	
Maryland						
Amount	\$1,349	\$4,276	\$983	\$564	\$7,171	\$41,972
Rank	35	9	45	33	19	5
Delaware						
Amount	\$1,407	\$3,894	\$1,534	\$1,355	\$8,190	\$37,088
Rank	32	15	15	3	6	12
Pennsylvania						
Amount	\$1,552	\$3,710	\$1,151	\$660	\$7,073	\$34,937
Rank	18	20	38	23	21	19
Virginia						
Amount	\$917	\$3,657	\$1,306	\$654	\$6,533	\$37,503
Rank	51	21	24	24	37	9
West Virginia						
Amount	\$1,952	\$3,060	\$1,047	\$872	\$6,931	\$26,419
Rank	12	36	42	8	23	49
<b>U.S. Average</b>	<b>\$1,478</b>	<b>\$3,698</b>	<b>\$1,423</b>	<b>\$621</b>	<b>\$7,220</b>	<b>\$34,471</b>

Note: For the rankings, 1 indicates the highest and 51 the lowest.

- (1) Charges include higher education tuition, fees and auxiliary revenues, sewer and trash collection fees, highway tolls, and other user charges and fees. Utilities include the gross receipts of publicly owned utilities (water, gas, electric, and transit).
- (2) Miscellaneous revenues include interest earnings, net lottery revenues, liquor store revenues, rents, royalties, fines and forfeitures, special assessments, sale of property, and other.

Source: *Government Finances*, 2004-05, U.S. Census Bureau (June 2007)

# Maryland State and Local Revenues: 2004-2005

## Comparison to Neighboring States

### Revenue as a Percent of Personal Income

	Intergovt. from Fed.	Taxes	Charges & Utilities <sup>(1)</sup>	Misc. <sup>(2)</sup>	Total Revenues
<b>Maryland</b>					
Percent	3.2%	10.2%	2.3%	1.3%	17.1%
Rank	46	36	49	49	49
<b>Delaware</b>					
Percent	3.8%	10.5%	4.1%	3.7%	22.1%
Rank	37	26	23	3	19
<b>Pennsylvania</b>					
Percent	4.4%	10.6%	3.3%	1.9%	20.2%
Rank	31	24	42	24	36
<b>Virginia</b>					
Percent	2.4%	9.7%	3.5%	1.7%	17.4%
Rank	51	41	41	31	48
<b>West Virginia</b>					
Percent	7.4%	11.6%	4.0%	3.3%	26.2%
Rank	6	11	26	5	6
<b>U.S. Average</b>	<b>4.3%</b>	<b>10.7%</b>	<b>4.1%</b>	<b>1.8%</b>	<b>20.9%</b>

Note: For the rankings, 1 indicates the highest and 51 the lowest.

- (1) Charges include higher education tuition, fees and auxiliary revenues, sewer and trash collection fees, highway tolls, and other user charges and fees. Utilities include the gross receipts of publicly owned utilities (water, gas, electric, and transit).
- (2) Miscellaneous revenues include interest earnings, net lottery revenues, liquor store revenues, rents, royalties, fines and forfeitures, special assessments, sale of property, and other.

Source: *Government Finances*, 2004-2005, U.S. Census Bureau (June 2007)

# Maryland State and Local Tax Revenues: 2004-2005 Comparison to Neighboring States

## Tax Revenues Per Capita

	Property Tax	Personal Income Tax	Corporate Income Tax	Sales & Selective Taxes <sup>(1)</sup>	License Fees	Other Taxes <sup>(2)</sup>	Total Taxes	Per Capita Personal Income
Maryland								
Amount	\$1,001	\$1,638	\$144	\$1,030	\$132	\$331	\$4,276	\$41,972
Rank	28	3	15	43	43	6	9	5
Delaware								
Amount	\$577	\$1,108	\$296	\$482	\$1,144	\$287	\$3,894	\$37,088
Rank	44	10	5	50	1	7	15	12
Pennsylvania								
Amount	\$1,079	\$924	\$137	\$1,099	\$252	\$217	\$3,710	\$34,937
Rank	22	18	17	37	8	12	20	19
Virginia								
Amount	\$1,109	\$1,104	\$80	\$1,010	\$218	\$135	\$3,657	\$37,503
Rank	21	11	38	44	15	19	21	9
West Virginia								
Amount	\$556	\$646	\$255	\$1,219	\$189	\$194	\$3,060	\$26,419
Rank	45	34	7	27	22	14	36	49
<b>U.S. Average</b>	<b>\$1,132</b>	<b>\$813</b>	<b>\$145</b>	<b>\$1,293</b>	<b>\$192</b>	<b>\$123</b>	<b>\$3,698</b>	<b>\$34,471</b>

Note: For the rankings, 1 indicates the highest. Rankings are out of 51 except for the personal income tax (out of 44) and the corporate income tax (out of 49).

- (1) Includes the general sales tax along with selective taxes such as excise taxes on alcohol and tobacco products, motor fuel taxes, titling taxes, admissions and amusement taxes, insurance premium taxes, public utility gross receipts taxes, and others.
- (2) Includes death and gift taxes, documentary and stock transfer taxes, severance taxes, and other taxes.

Source: *Government Finances*, 2004-05, U.S. Census Bureau (June 2007)

# Maryland State and Local Tax Revenues: 2004-2005 Comparison to Neighboring States

## Tax Revenue as a Percent of Personal Income

	Property Tax	Personal Income Tax	Corporate Income Tax	Sales & Selective Taxes <sup>(1)</sup>	License Fees	Other Taxes <sup>(2)</sup>	Total Taxes
<b>Maryland</b>							
Percent	2.4%	3.9%	0.3%	2.5%	0.3%	0.8%	10.2%
Rank	41	3	28	45	47	7	36
<b>Delaware</b>							
Percent	1.6%	3.0%	0.8%	1.3%	3.1%	0.8%	10.5%
Rank	50	14	5	50	1	9	26
<b>Pennsylvania</b>							
Percent	3.1%	2.6%	0.4%	3.1%	0.7%	0.6%	10.6%
Rank	25	18	19	41	10	14	24
<b>Virginia</b>							
Percent	3.0%	2.9%	0.2%	2.7%	0.6%	0.4%	9.7%
Rank	28	16	41	43	24	18	41
<b>West Virginia</b>							
Percent	2.1%	2.5%	1.0%	4.6%	0.7%	0.7%	11.6%
Rank	44	27	2	11	11	10	11
<b>U.S. Average</b>	<b>3.3%</b>	<b>2.4%</b>	<b>0.4%</b>	<b>3.7%</b>	<b>0.6%</b>	<b>0.4%</b>	<b>10.7%</b>

Note: For the rankings, 1 indicates the highest. Rankings are out of 51 except for the personal income tax (out of 44) and the corporate income tax (out of 49).

(1) Includes the general sales tax along with selective taxes such as excise taxes on alcohol and tobacco products, motor fuel taxes, titling taxes, admissions and amusement taxes, insurance premium taxes, public utility gross receipts taxes, and others.

(2) Includes death and gift taxes, documentary and stock transfer taxes, severance taxes, and other taxes.

Source: *Government Finances*, 2004-05, U.S. Census Bureau (June 2007)

# Maryland Local Government Revenues: 2004-2005

## Comparison to Neighboring States

### Revenue by Type as a Percent of Total Revenues

	Intergovernmental from Federal and State	Taxes	Charges & Utilities <sup>(1)</sup>	Misc. <sup>(2)</sup>	Total Revenues
Maryland					
Percent	30.8%	49.7%	13.8%	5.7%	100.0%
Rank	42	7	45	25	
Delaware					
Percent	44.7%	27.4%	21.9%	5.9%	100.0%
Rank	6	42	29	22	
Pennsylvania					
Percent	39.5%	38.0%	16.4%	6.1%	100.0%
Rank	12	17	41	19	
Virginia					
Percent	35.5%	42.0%	17.4%	5.1%	100.0%
Rank	25	13	37	37	
West Virginia					
Percent	47.2%	28.1%	17.7%	7.0%	100.0%
Rank	4	40	35	10	
<b>U.S. Average</b>	<b>35.8%</b>	<b>35.6%</b>	<b>22.6%</b>	<b>6.0%</b>	<b>100.0%</b>

Note: For the rankings, 1 indicates the highest and 51 the lowest.

- (1) Charges include higher education tuition, fees, and auxiliary revenues, sewer and trash collection fees, highway tolls and other user charges and fees. Utilities include the gross receipts of publicly owned utilities (water, gas, electric, and transit).
- (2) Miscellaneous revenue includes interest earnings, net lottery revenues, liquor store revenues, rents, royalties, special assessments, sale of property, and other.

Source: *Government Finances*, 2004-05, U.S. Census Bureau (June 2007)

# Maryland Local Government Revenues: 2004-2005 Comparison to Neighboring States

## Revenue Per Capita

	Intergovt. from Fed. and State	Taxes	Charges & Utilities <sup>(1)</sup>	Misc. <sup>(2)</sup>	Total Revenues	Per Capita Personal Income
<b>Maryland</b>						
Amount	\$1,152	\$1,861	\$516	\$212	\$3,741	\$41,972
Rank	37	5	43	27	26	5
<b>Delaware</b>						
Amount	\$1,334	\$816	\$654	\$177	\$2,981	\$37,088
Rank	23	46	34	34	44	12
<b>Pennsylvania</b>						
Amount	\$1,573	\$1,512	\$653	\$243	\$3,981	\$34,937
Rank	13	18	35	15	18	19
<b>Virginia</b>						
Amount	\$1,313	\$1,552	\$642	\$189	\$3,696	\$37,503
Rank	24	16	36	31	27	9
<b>West Virginia</b>						
Amount	\$1,156	\$689	\$432	\$171	\$2,447	\$26,419
Rank	35	49	46	38	50	49
<b>U.S. Average</b>	<b>\$1,523</b>	<b>\$1,512</b>	<b>\$960</b>	<b>\$256</b>	<b>\$4,251</b>	<b>\$34,471</b>

Note: For the rankings, 1 indicates the highest and 51 the lowest.

- (1) Charges include higher education tuition, fees, and auxiliary revenues, sewer and trash collection fees, highway tolls, and other user charges and fees. Utilities include the gross receipts of publicly owned utilities (water, gas, electric, and transit).
- (2) Miscellaneous revenue includes interest earnings, net lottery revenues, liquor store revenues, rents, royalties, special assessments, sale of property, and other.

Source: *Government Finances*, 2004-05, U.S. Census Bureau (June 2007)

# Maryland Local Government Revenues: 2004-2005 Comparison to Neighboring States

## Revenue as a Percent of Personal Income

	Intergovt. from Fed. and State	Taxes	Charges & Utilities <sup>(1)</sup>	Misc. <sup>(2)</sup>	Total Revenues
<b>Maryland</b>					
Percent	2.7%	4.4%	1.2%	0.5%	8.9%
Rank	49	16	46	39	47
<b>Delaware</b>					
Percent	3.6%	2.2%	1.8%	0.5%	8.0%
Rank	33	49	39	41	49
<b>Pennsylvania</b>					
Percent	4.5%	4.3%	1.9%	0.7%	11.4%
Rank	18	19	37	22	29
<b>Virginia</b>					
Percent	3.5%	4.1%	1.7%	0.5%	9.9%
Rank	35	25	40	40	40
<b>West Virginia</b>					
Percent	4.4%	2.6%	1.6%	0.7%	9.3%
Rank	20	47	42	28	43
<b>U.S. Average</b>	<b>4.4%</b>	<b>4.4%</b>	<b>2.8%</b>	<b>70.0%</b>	<b>12.3%</b>

Note: For the rankings, 1 indicates the highest and 51 the lowest.

- (1) Charges include higher education tuition, fees, and auxiliary revenues, sewer and trash collection fees, highway tolls and other user charges and fees. Utilities include the gross receipts of publicly owned utilities (water, gas, electric, and transit).
- (2) Miscellaneous revenue includes interest earnings, net lottery revenues, liquor store revenues, rents, royalties, special assessments, sale of property, and other.

Source: *Government Finances*, 2004-05, U.S. Census Bureau (June 2007)

# Maryland Local Tax Revenues: 2004-2005

## Comparison to Neighboring States

### Tax Revenues Per Capita

	Property Tax	Personal Income Tax	Corporate Income Tax	Sales Tax <sup>(1)</sup>	License Fees	Other Taxes <sup>(2)</sup>	All Taxes	Per Capita Personal Income
<b>Maryland</b>								
Amount	\$906	\$625	\$0	\$85	\$0	\$244	\$1,861	\$41,972
Rank	27	2	n/a	32	51	2	5	5
<b>Delaware</b>								
Amount	\$577	\$59	\$0	\$10	\$41	\$129	\$816	\$37,088
Rank	43	8	n/a	45	21	5	46	12
<b>Pennsylvania</b>								
Amount	\$1,075	\$257	\$0	\$33	\$33	\$115	\$1,512	\$34,937
Rank	20	5	n/a	37	28	6	18	19
<b>Virginia</b>								
Amount	\$1,107	\$0	\$0	\$286	\$136	\$24	\$1,552	\$37,503
Rank	18	n/a	n/a	18	3	16	16	9
<b>West Virginia</b>								
Amount	\$554	\$0	\$0	\$32	\$88	\$15	\$689	\$26,419
Rank	44	n/a	n/a	38	7	25	49	49
<b>U.S. Average</b>	<b>\$1,094</b>	<b>\$70</b>	<b>\$15</b>	<b>\$242</b>	<b>\$48</b>	<b>\$43</b>	<b>\$1,512</b>	<b>\$34,471</b>

Note: For the rankings, 1 indicates the highest. Rankings are out of 51 except for the personal income tax (out of 14), the corporate income tax (out of 2), the sales tax (out of 50) and license fees (out of 36). If the rank is "n/a," the state does not have that tax.

(1) Includes the general sales tax along with selective taxes such as excise taxes on alcohol and tobacco products, motor fuel taxes, titling taxes, admissions and amusement taxes, insurance premium taxes, public utility gross receipts taxes, and others.

(2) Includes death and gift taxes, documentary and stock transfer taxes, severance taxes, and other taxes.

Source: *Government Finances*, 2004-05, U.S. Census Bureau (June 2007)

# Maryland Local Tax Revenues: 2004-2005 Comparison to Neighboring States

## Tax Revenues as a Percent of Personal Income

	Property Tax	Personal Income Tax	Corporate Income Tax	Sales Tax <sup>(1)</sup>	License Fees	Other Taxes <sup>(2)</sup>	All Taxes
<b>Maryland</b>							
Percent	2.2%	1.5%	0.0%	0.2%	0.0%	0.6%	4.4%
Rank	40	2	n/a	34	51	2	16
<b>Delaware</b>							
Percent	1.6%	0.2%	0.0%	0.0%	0.1%	0.3%	2.2%
Rank	46	9	n/a	45	25	4	49
<b>Pennsylvania</b>							
Percent	3.1%	0.7%	0.0%	0.1%	0.1%	0.3%	4.3%
Rank	23	5	n/a	38	31	6	19
<b>Virginia</b>							
Percent	3.0%	0.0%	0.0%	0.8%	0.4%	0.1%	4.1%
Rank	26	n/a	n/a	21	3	18	25
<b>West Virginia</b>							
Percent	2.1%	0.0%	0.0%	0.1%	0.3%	0.1%	2.6%
Rank	43	n/a	n/a	36	5	19	47
<b>U.S. Average</b>	<b>3.2%</b>	<b>0.2%</b>	<b>0.0%</b>	<b>0.7%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>4.4%</b>

Note: For the rankings, 1 indicates the highest. Rankings are out of 51 except for the personal income tax (out of 14), the corporate income tax (out of 2), the sales tax (out of 50), and license fees (out of 36). If the rank is "n/a," the state does not have that tax.

- (1) Includes the general sales tax along with selective taxes such as excise taxes on alcohol and tobacco products, motor fuel taxes, titling taxes, admissions and amusement taxes, insurance premium taxes, public utility gross receipts taxes, and others.
- (2) Includes death and gift taxes, documentary and stock transfer taxes, severance taxes, and other taxes.

Source: *Government Finances*, 2004-05, U.S. Census Bureau (June 2007)