Maryland's Revenue Structure

Legislative Handbook Series
Volume III
2002

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Foreword

The consequences of State tax law affect a myriad of transactions ranging from typical consumer purchases to the financing of multimillion dollar bond issuances. Because legislators will be facing many important tax decisions, this handbook has been prepared to summarize the major features of Maryland's revenue structure. Sections are devoted to key aspects of State imposed taxes. In addition, descriptions of nontax-related sources are included to provide background and insight into the funds that compose 48 percent of the total revenues collected by the State.

Of the estimated $21.7 billion in revenues supporting Maryland government expenditures in fiscal 2003, nearly half, or $10.6 billion, supports State general fund purposes. Two taxes – the individual income tax and the sales tax – constitute 80 percent of general fund revenues. The remaining general fund revenues are derived primarily from other taxes such as the corporate income tax and other business taxes, alcohol and tobacco taxes, and death taxes, and from the State lottery.

Taxes and fees dedicated for specific purposes, known as special funds, will generate an estimated $3.9 billion in revenues in fiscal 2003. The primary special fund tax sources are the various transportation taxes and fees, the 24 percent of the corporate income tax receipts dedicated for transportation purposes, and the State property tax which is dedicated for debt service on general obligation bonds. The other special fund revenues are derived from a variety of user fees and reimbursements to the State. Additionally, the State will receive $5.2 billion in federal funds designated for particular programs and approximately $2.1 billion in tuition, fees, and revenues from the State's higher educational institutions.

This is one of nine volumes of the 2002 Legislative Handbook Series prepared prior to the beginning of the General Assembly term by the Office of Policy Analysis, Department of Legislative Services. This volume was a combined effort of the staff of the department's Office of Policy Analysis under the general direction and review of J. Michael Yarborough. Contributors include Michael Sanelli, Andrea Davis, Christine Scott, Molly Slominski, Ryan Bishop, Christine A. Romans, Ann Marie Maloney, Terri Bacote-Charles, Beth V. McCoy, Kathleen M. Gardiner, Susan John, Suzanne P. Freed, Matthew Klein, Lesley G. Frymier, Brent E. Johnson, William M. Honablew, Jr., and James L. Stoops. Additional review was provided by John Rixey and Warren Deschenaux. Administrative assistance was provided by Carol Mihm, Elaine Oaks, and Mary Dwyer.

The Department of Legislative Services trusts that this volume will be of use to all persons interested in the Maryland State government. The department welcomes comments on ways future editions may be improved.

Karl S. Aro
Executive Director
Department of Legislative Services
Maryland General Assembly

Annapolis, Maryland
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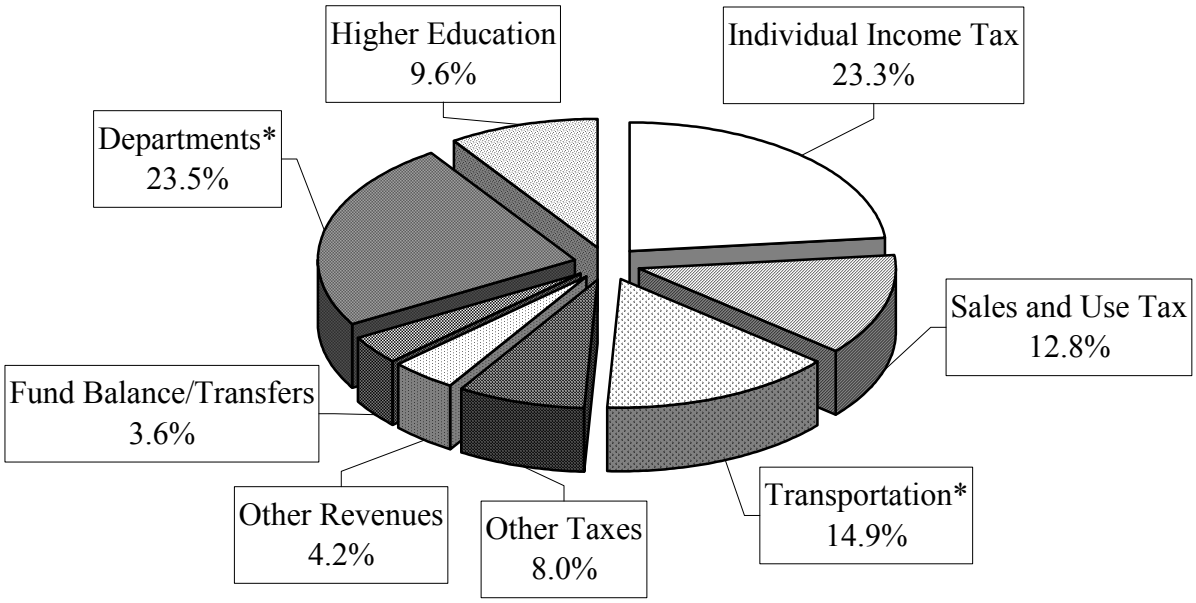
Chapter 1. Overview of Revenue Structure

Maryland Revenue Sources

Revenues supporting Maryland government expenditures will total an estimated $21.7 billion in fiscal 2003. Approximately 52 percent of total ongoing revenues each year is derived from State tax revenues, with the remaining 48 percent coming from nontax revenues, including federal grants.

The three largest sources of revenue are the individual income tax and the sales tax, which together total 37.5 percent of all ongoing revenues, and transportation revenues which represent 15.5 percent. Together, these three sources support over half the State's budget. Other sources of revenue include the lottery, higher education tuition and fees, business taxes, licensing fees, and penalties. Exhibits 1.1 and 1.2 provide detailed information on the various revenue sources for fiscal 2003.

Exhibit 1.1
State Revenue Sources
Fiscal 2003



Total $21.7 Billion

* Includes federal funds
Source: *Fiscal Digest of the State of Maryland for the Fiscal Year 2003*, Department of Budget and Management; Department of Legislative Services

Exhibit 1.2
State Revenue Sources
Fiscal 2003
($ in Millions)

Revenue Source	General Funds	Special Funds	Federal Funds	Total	Percent of Total
Major Taxes, Licenses, & Fees					
Personal Income Tax	$5,072.0			$5,072.0	23.3%
Corporate Income Tax	302.3	$ 94.2		396.4	1.8%
Sales & Use Tax	2,767.5	20.3		2,787.8	12.8%
Property Taxes		283.2		283.2	1.3%
Property Transfer Taxes	47.3	50.2		97.5	0.4%
Insurance Taxes, Licenses, & Fees	196.8			196.8	0.9%
Tobacco Taxes & Licenses[1]	212.5	80.5		293.0	1.3%
Death Taxes	159.8			159.8	0.7%
Alcoholic Beverages Taxes	25.5			25.5	0.1%
Franchise Taxes & Fees	172.6			172.6	0.8%
Boat Excise Tax		21.0		21.0	0.1%
Horse Racing		2.0		2.0	0.0%
Miscellaneous Taxes & Fees	101.2			101.2	0.5%
Subtotal	$9,057.5	$551.4		$9,608.9	44.2%
Transportation[2]					
Motor Vehicle Fuel Tax/Road Tax	$12.1	$ 683.8		$ 695.9	3.2%
Motor Vehicle Titling Tax		612.0		612.0	2.8%
Motor Vehicle Registration, Licenses, & Fees	9.3	376.3		385.6	1.8%
Department of Transportation		676.9	$874.5	1,551.4	7.1%
Subtotal	$21.4	$2,349.0	$874.5	$3,244.9	14.9%
Other Revenues & Fees					
Lottery	$430.0	$ 73.9		$504.0	2.3%
Budgeted Tobacco Settlement Recoveries		131.1		131.1	0.6%
District Court Fees & Costs	72.1			72.1	0.3%
Interest on Investments	70.3	5.0		75.3	0.3%
Hospital Patient Recoveries	63.9			63.9	0.3%
Retirement Contribution Reimbursement		33.3		33.3	0.2%
Annuity Bond Fund		28.2		28.2	0.1%
Subtotal	$636.2	$271.5		$907.7	4.2%

Exhibit 1.2 (continued)

Revenue Source	General Funds	Special Funds	Federal Funds	Total	Percent of Total
Departments					
Legislative	$ 0.2			$ 0.2	0.0%
Judicial Review & Legal[3]	59.6	$ 40.9	$ 3.4	103.9	0.5%
Executive & Administrative Control	1.9	33.7	102.9	138.4	0.6%
Financial & Revenue Administration	1.6	7.7		9.4	0.0%
Budget & Management	1.2	17.5		18.7	0.1%
Retirement Programs		21.1		21.1	0.1%
General Services	0.1	1.7	1.1	2.9	0.0%
Natural Resources	0.6	49.9	25.2	75.7	0.3%
Agriculture	0.3	17.4	2.4	20.1	0.1%
Health & Mental Hygiene	7.0	100.3	2,125.1	2,232.4	10.3%
Human Resources	1.6	74.5	980.9	1,057.0	4.9%
Labor, Licensing, & Regulation	13.7	9.9	151.8	175.3	0.8%
Public Safety & Correctional Services	7.0	103.8	6.2	116.9	0.5%
Public Education	2.7	32.1	707.7	742.5	3.4%
Housing & Community Development	0.7	40.7	163.2	204.5	0.9%
Business & Economic Development		51.5	0.5	52.0	0.2%
Environment	0.4	80.3	24.7	105.4	0.5%
Juvenile Justice	0.3	0.3	15.2	15.8	0.1%
State Police	2.6	11.2	1.1	14.9	0.1%
Subtotal	$101.3	$694.4	$4,311.6	$5,107.3	23.5%
Total	$9,816.4	$3,866.4	$5,186.0	$18,868.8	86.8%
Higher Education Funds		2,082.6		2,082.6	9.6%
Fund Balance and Transfers[4]	748.2	39.1		787.3	3.6%
Grand Total	**$10,564.7**	**$5,988.0**	**$5,186.0**	**$21,738.7**	**100.0%**

Note: Detail may not add to total due to rounding.

[1] Includes $80.5 million in special fund tobacco tax revenues dedicated for education aid purposes under Chapter 288 of 2002.

[2] Special funds include Transportation Trust Fund revenues from these sources and revenues transferred to other special funds.

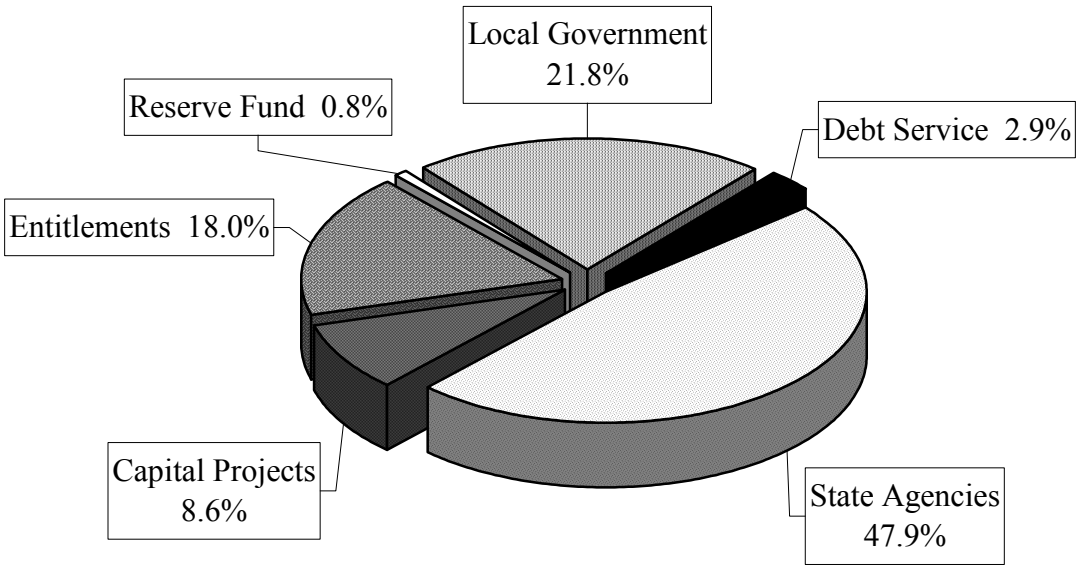
[3] Includes special fund revenues dedicated to funding the Public Service Commission and the Office of People's Counsel under Chapter 494 of 2002 and revenues dedicated to funding the Workers' Compensation Commission under Chapter 487 of 2002.

[4] Includes general fund balance and transfers to the general fund from the Revenue Stabilization Fund and from various other accounts, and amounts transferred from the Dedicated Purpose Fund and authorized to be used for specific purposes.

Source: *Fiscal Digest of the State of Maryland for the Fiscal Year 2003*, Department of Budget and Management; Department of Legislative Services

In addition to ongoing or current revenues supporting the State budget each year, fund balances may also be used to support current State expenditures. For fiscal 2003 approximately 3.6 percent of total revenues supporting the State budget is from fund balances, including a general fund balance of $427.6 million, a transfer from the Revenue Stabilization Account of $249.0 million, and other transfers from various accounts to the general fund of $85.2 million. Of the $21.7 billion total State operating budget, 48.1% will support State agencies, 17.9% will support State entitlement programs, 21.7% will be allocated for local governments, 8.6% will be used for various capital projects (primarily transportation), and 2.9% will support the State's debt service on general obligation bonds. Exhibits 1.3 and 1.4 illustrate the use of fiscal 2003 revenues.

Exhibit 1.3
State Expenditures
Fiscal 2003



Total $21.7 Billion

Source: *Effect of the 2002 Legislative Program on the Financial Condition of the State*, Department of Legislative Services

Exhibit 1.4
State Expenditures – All Funds
Fiscal 2003
($ in Millions)

Category	Legislative Appropriation	Percent of Total
Debt Service	$ 629.4	2.9%
Aid to Local Governments		
General Government	728.6	
Community Colleges	188.9	
Education/Libraries[1]	3,744.9	
Health	66.4	
	$4,728.9	21.8%
Entitlements		
Foster Care Payments	$ 234.3	
Assistance Payments	364.6	
Medical Assistance	3,248.1	
Property Tax Credits	55.5	
	$3,902.5	18.0%
State Agencies		
Health	$ 1,866.4	
Human Resources	954.2	
Systems Reform Initiative	71.2	
Juvenile Justice	189.1	
Public Safety/Police	1,108.9	
Higher Education	3,059.2	
Other Education	416.4	
Transportation	1,067.8	
Agriculture/Natural Resources/Environment	311.9	
Other Executive Agencies	1,167.2	
Judicial/Legislative	344.5	
Across-the-board Cuts	-96.6	
Reversions[2]	-55.0	
Operating Spending in BRFA[3]	16.9	
	$10,422.1	47.9%
Other		
Capital	$ 1,853.0	
Capital Spending in BRFA[3]	22.2	
	$ 1,875.2	8.6%
Subtotal	21,557.7	
Reserve Fund	181.0	0.8%
Total	**$21,738.7**	

Note: Detail may not add to total due to rounding.

[1] Includes $80.5 million in education aid funded from an increase in the tobacco tax (Ch. 288 of 2002), not technically part of the legislative appropriation, to be appropriated via budget amendment.

[2] Anticipated reversions included in State agencies.

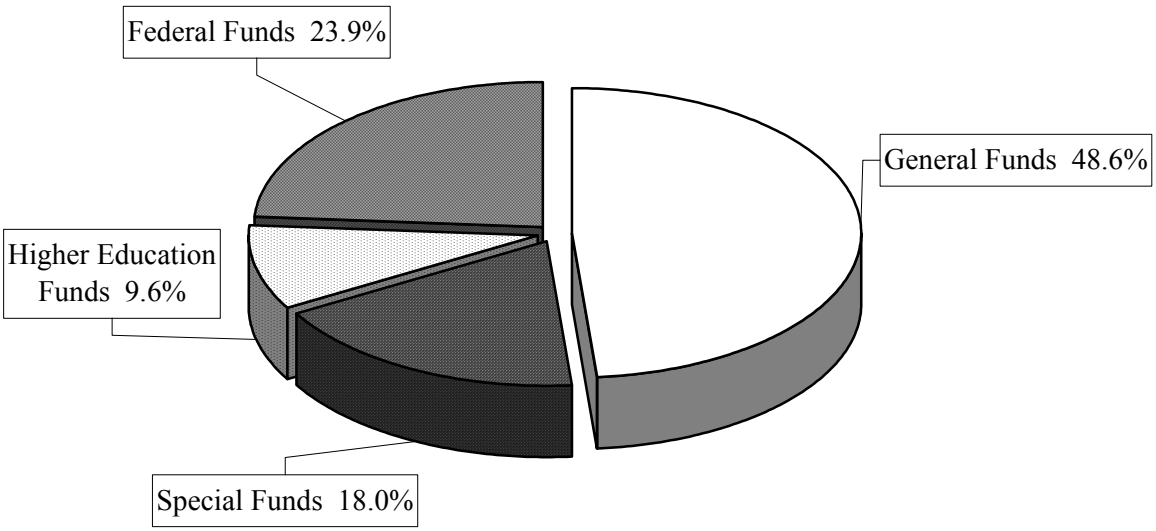
[3] The Budget Reconciliation and Financing Act (BRFA) (Ch. 440 of 2002) included additional spending from the dedicated purpose fund, $23.1 million of which was contingent on the passage of a tobacco tax increase (Ch. 288), and is not technically part of the legislative appropriation, to be appropriated via the budget amendment process.

Source: *Effect of the 2002 Legislative Program on the Financial Condition of the State*, Department of Legislative Services

State Revenues – The Classification System

All revenues are classified according to "fund" type. Exhibit 1.5 summarizes the fund classification of the $21.7 billion State budget for fiscal 2003.

Exhibit 1.5
Summary of All Funds
Fiscal 2003



Total $21.7 Billion

($ in Millions)

Revenue Source	Amount
General Funds	$10,564.7
Special Funds	3,905.5
Higher Education Funds	2,082.6
Federal Funds	5,186.0
Total	$21,738.7

Note: Detail may not add to total due to rounding.
Source: *Effect of the 2002 Legislative Program on the Financial Condition of the State*, Department of Legislative Services

General Funds

Approximately $10.6 billion, or 48.6 percent, of fiscal 2003 total revenues are generated by general fund sources. These revenues are used to support the operating budget of the State government and contribute to other funds and various public service enterprises run by the State. The primary sources of general fund revenues are individual income taxes ($5.1 billion), sales taxes ($2.8 billion), business taxes ($672 million), and the lottery ($430 million).

Special Funds

Special fund revenues are State source revenues that are dedicated by law to support specific projects or functions. Special funds will provide an estimated $3.9 billion, approximately 18 percent of all funds, in fiscal 2003. Major components of special fund revenues include:

- Transportation Trust Fund revenues ($2.4 billion, excluding federal funds), which consist of motor vehicle fuel taxes, titling taxes, registration and licensing fees, a portion of corporate income taxes, and other miscellaneous transportation-related revenues;

- State property tax revenues ($283.2 million), which support debt service on State general obligation bonds;

- tobacco settlement recoveries (Cigarette Restitution Fund) ($131.1 million), used primarily to support health and tobacco-related programs and some education programs;

- a portion of property transfer tax revenues ($50.1 million out of $97.5 million total State transfer tax revenues) and other miscellaneous revenues ($147.6 million), used to support natural resources, environmental, and agricultural programs; and

- other revenues that support programs in the Department of Health and Mental Hygiene, the Department of Human Resources, the Department of Public Safety and Correctional Services, the Department of Housing and Community Development, and other agencies.

Federal Funds

Federal funds are monies provided by various agencies of the federal government to fund a variety of purposes. For example, the Federal Highway Administration

provides certain funds that the Maryland Department of Transportation uses to maintain the condition of interstate highways in the State. In fiscal 2003 the State expects to receive $5.2 billion (23.9 percent of all funds) in federal assistance. Major categories of federal funds include: health ($2.1 billion), transportation ($875 million), public education ($708 million), human resources ($981 million), employment and training ($152 million), housing and community development ($163 million), and environment, natural resources, and agriculture ($52 million).

Higher Education Funds

In fiscal 2003 the State will receive approximately $2.1 billion in higher education revenues from grants and contracts, contributions, tuition, fees and charges from room and board, and educational and auxiliary enterprises. Some higher education funds are dedicated for specific purposes ("restricted"), while others are used to support the general operation of the State universities and colleges ("unrestricted"). The State expects to receive approximately $1.9 billion in special fund revenues from the University System of Maryland, $94.2 million from Morgan State University, $34.7 million from Baltimore City Community College, and $28.0 million from St. Mary's College.

Revenue Projections: The Economic Outlook

Growth in revenues, particularly general fund revenues, is directly related to the economic performance of the State. The largest sources of revenue, the personal income tax and the sales tax, are driven by growth in personal income and employment.

The year 2001 marked the end of the longest economic expansion in United States history. Beginning in March 1991 and continuing until March 2001, the expansion began slowly. By 1996 growth was robust, with the U.S. economy growing at an average annual rate of 4.1 percent from 1996 to 2000. Growth slowed throughout 2000, and by early 2001 the U.S. economy was in recession. U.S. employment peaked in March 2001 and bottomed out in April 2002, with a total job loss of 1.8 million, a 1.3 percent drop. Since April job growth has been very weak, with the increase from April to July amounting to less than one-tenth of one percent.

By late 2001 or early 2002, the recession apparently ended, but the short-term outlook for U.S. economic growth is still sluggish at best. Beyond the near term, the U.S. economy is expected to pick up steam by 2003, growing by more than 3.0 percent in 2003 and 2004. But employment growth is likely to be sluggish with the unemployment rate hovering around 6.0 percent throughout 2002 and 2003.

In general, the performance of the Maryland economy has mirrored that of the U.S. economy. However, the national recession of the early 1990s was longer and deeper in Maryland as it was concentrated in sectors that were particularly important to the State's economy such as government, defense-related industries, and financial institutions. As a consequence, the Maryland economy grew weakly during much of the 1990s. The Maryland economy took off in 1997, with employment in Maryland growing at an average annual rate of 2.6 percent between 1997 and 2000. Personal income increased at an average rate of over 6.0 percent during this time period and wage and salary income grew over 7.0 percent.

Economic growth slowed sharply in Maryland in 2001. Job growth especially slowed and by June 2002 employment had fallen 1.1 percent, a loss of 26,000 jobs. So far, this contraction is nowhere near as severe as the recession of the early 1990s when employment fell, peak to trough, by 5.0 percent. Personal income growth and wage and salary income growth also slowed significantly in 2001.

Looking forward, the Maryland economy is expected to follow the national pattern with growth remaining weak throughout 2002 but picking up in 2003. The very strong growth of the late 1990s is not expected to be repeated in the near future, however. Employment growth is expected to average close to 2.0%, with personal income growth around 5.0% and wage and salary income growth of 5.5% to 6.0%.

Organization of the Handbook

This handbook is organized in four parts.

- Chapters 2 through 9 describe in detail the tax sources of the State's revenues. Each chapter pertains to a particular tax source (e.g., individual income tax) or category of taxes (e.g., business taxes) and discusses important characteristics of each tax. Such characteristics include: the taxpayer, the tax base, exemptions and modifications, historical and projected revenues, and a summary of major changes.

- Chapter 10 reviews the structure of transportation revenues. Transportation revenues are derived from both tax and nontax sources, so this section combines a discussion of both.

- Chapter 11 describes the Maryland lottery and the various games used to generate revenues for the State.

- Chapters 12 through 20 provide a general overview of the nontax sources of State revenues.

Chapter 2. Overview of Tax Revenue Sources

Taxes are the primary source of revenues in Maryland. In fiscal 2003 approximately 52 percent ($10.9 billion) of the State's total current revenues and 92 percent ($9.1 billion) of general fund revenues will come from tax revenues.

Individual income taxes are the single largest source of revenue, followed by the sales and use tax and transportation taxes (motor fuel tax, motor carrier tax, and motor vehicle excise tax). Together, these sources will generate 84 percent of the State's tax revenues in fiscal 2003. The balance of State tax revenues is derived from the corporate income tax and other business taxes, property and property transfer taxes, tobacco and alcoholic beverage taxes, estate and inheritance taxes, and other miscellaneous taxes.

Maryland's Tax Mix

Maryland's tax mix is diverse but weighted toward the income tax. The main sources of State and local tax revenue in Maryland are the income tax, the sales and use tax, and property taxes. This tax structure is well diversified because the State uses all three of the major tax sources. Some states only use two of these taxes. Because of the complementary nature of these taxes, using all three enhances the fairness and stability of the tax structure. In addition, like most states, Maryland has a gasoline tax that is a dedicated revenue source used to fund transportation construction and maintenance costs. Maryland does not impose taxes on the personal property of individuals, as is done in some states such as Virginia.

Individual Income Tax

The individual income tax has long been the State's primary source of revenue, and its importance as a source of revenue has grown over the years. In fiscal 1980 individual income tax revenues constituted 43 percent of general fund revenues. In fiscal 2003 the State will receive an estimated $5.1 billion in individual income tax revenues, or almost 52 percent of total general fund revenues.

The individual income tax makes up a larger share of total taxes in Maryland than in most other states. In Maryland about 24 percent of all State and local revenues (including tax and nontax revenues) come from the income tax compared to a national average of 12.5 percent. Conversely, sales and property taxes in Maryland make up a smaller share of the total compared to most other states.

Maryland's income tax base is relatively narrow, which puts upward pressure on income tax rates. Taxes with broad bases are more conducive to low rates than those with narrow bases. For example, Pennsylvania has a broadly defined income tax base

and a low state income tax rate of 2.8 percent. Maryland's base is narrow because of the many deductions, exemptions, and credits that are allowed. In addition to allowing most federal itemized deductions, there are several state-only deductions that further reduce the base.

The county income tax is a significant revenue source for local governments in Maryland. While local income taxes are imposed in a limited way in several other states, they are widespread in only three states (Indiana, Iowa, and Pennsylvania) other than Maryland. Local government reliance on income tax revenues in Maryland is among the highest in the nation at 34 percent of total local tax revenues in 1999. While the county income tax has relieved pressure on local property tax rates, it is the primary reason for the State's relatively high State and local income tax burden.

Legislation was enacted in 1997 to reduce income taxes, partly because of concern that Maryland's relatively high State and local income taxes were a disincentive for businesses to locate or expand in the State. While Maryland's overall tax burden is close to average when compared to other states, the State's high reliance on the income tax in its mix of taxes, together with the local income tax, puts Maryland near the top in rankings of states based on income taxes.

The 1997 legislation provided for a 10 percent reduction in the State's individual income tax revenues, phased in over a five-year period. This income tax reduction, fully phased in as of tax year 2002, will result in an estimated revenue reduction of over $500 million in fiscal 2003.

Sales and Use Tax

The sales and use tax is the State's second largest source of revenue. Compared to other states, Maryland's sales tax rate is not high, and the tax base is relatively narrow. Maryland's sales tax base is narrow because it excludes most services and exempts grocery food, residential utilities, and medicine from the sales tax base. In fiscal 2003 the State will receive an estimated $2.8 billion in general fund revenues from the sales tax, about 28 percent of general fund revenues.

Property Tax

Property taxes are primarily a local revenue source in Maryland. For fiscal 2001 the counties collectively received almost $4 billion in property tax revenues. The counties impose tax rates that range from $0.556 to $1.286 per $100 of property value, while the State property tax rate is $0.084 per $100 of property value. Since fiscal 2002, property tax rates in Maryland have been applied to 100 percent of the fair market value

of real property. Previously, the tax rates were applied to 40 percent of the fair market value of real property. Because of this, county property tax rates previously ranged from $1.39 to $5.82 per $100 of property value and the State property tax rate was $0.21 per $100 of property value.

State property tax revenues are dedicated to debt service on State general obligation bonds. In fiscal 2003 the State will receive an estimated $283.2 million in State property taxes. Adjusting for the change to assessment of real property at 100 percent of value in fiscal year 2002, the State property tax rate has remained constant since 1982.

Transportation Taxes

Transportation taxes are the third largest source of tax revenue for the State. Transportation taxes generally are credited to the Transportation Trust Fund, a portion of which is shared with local governments. In fiscal 2003 the State will receive an estimated $1.3 billion in transportation tax revenues.

Comparison to Taxes in Other States

Based on fiscal 1999 revenues, Exhibits 2.1 through 2.3 compare Maryland's State and local tax structure to other states in the region and to the United States as a whole. Exhibit 2.1 compares the relative reliance of each state on the various taxes, showing the percentage of total state and local tax revenues generated by each of the major tax types. Exhibit 2.2 shows revenues per capita. Comparing taxes across states on a per capita basis alone ignores the relative revenue-raising capacity of each state. For example, a wealthier state with the same income, property, and sales tax rates as a less wealthy state would raise more tax revenue per person than the less wealthy state simply because residents of the wealthier state have more income and more valuable property and they spend more. Consequently, measuring tax burden on a per capita basis alone provides an incomplete picture. To account for the relative revenue raising capacity of each state, Exhibit 2.3 provides another common basis for comparison, the amount of taxes paid in each state relative to personal income in the state.

Overall, Maryland's total State and local taxes are average compared to other states. Measured on a per capita basis, Maryland's overall taxes were twelfth highest among all states and the District of Columbia, about average when compared to other states in the region. As a result of the State's relatively high personal income, (third highest in the region and sixth highest nationwide), Maryland ranked thirty-eighth in the nation in total tax liability as a percentage of income.

Exhibit 2.1
Maryland State and Local Tax Revenues – Comparison to Selected States
1998-99 Relative Dependence on Various Taxes (Percentage of Total Tax Revenues)

	Personal Income Tax	Sales & Selective Taxes[1]	Property Tax	Corporate Income Tax	License Fees	Other Taxes[2]	All Taxes	Per Capita Personal Income
Maryland								
Percent	*39.6%*	*25.8%*	*25.0%*	*2.4%*	*2.3%*	*4.8%*	*100.0%*	*$30,600*
Rank	*2*	*43*	*34*	*41*	*45*	*19*		*6*
Delaware								
Percent	32.9%	11.2%	14.1%	9.4%	27.3%	5.0%	100.0%	$29,182
Rank	5	50	49	2	1	16		11
District of Columbia								
Percent	32.0%	31.4%	22.9%	7.3%	1.6%	4.8%	100.0%	$37,890
Rank	7	33	38	5	49	18		1
New Jersey								
Percent	20.1%	25.4%	45.4%	4.2%	2.4%	2.5%	100.0%	$34,110
Rank	36	44	2	19	44	33		3
North Carolina								
Percent	32.5%	34.7%	21.5%	4.5%	4.4%	2.3%	100.0%	$25,104
Rank	6	25	42	14	22	36		30
Pennsylvania								
Percent	25.1%	29.6%	27.4%	4.4%	6.6%	6.9%	100.0%	$27,377
Rank	24	37	29	18	8	6		18
Virginia								
Percent	31.1%	29.0%	29.4%	2.1%	3.0%	5.3%	100.0%	$27,998
Rank	10	39	24	44	38	14		14
West Virginia								
Percent	21.5%	42.1%	19.0%	6.1%	3.8%	7.5%	100.0%	$20,298
Rank	34	15	43	8	31	4		50
U.S. Average	**23.2%**	**35.7%**	**29.4%**	**4.2%**	**3.9%**	**3.6%**	**100.0%**	**$27,077**

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 47).

[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 premiums 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, 1998-99*, U.S. Census Bureau (September 2001)

Exhibit 2.2
Maryland State and Local Tax Revenues – Comparison to Selected States
1998-99 Tax Revenues Per Capita

	Personal Income Tax	Sales & Selective Taxes[1]	Property Tax	Corporate Income Tax	License Fees	Other Taxes[2]	All Taxes	Per Capita Personal Income
Maryland								
Amount	*$1,269*	*$827*	*$801*	*$78*	*$74*	*$153*	*$3,202*	*$30,600*
Rank	*4*	*41*	*28*	*35*	*45*	*15*	*12*	*6*
Delaware								
Amount	$1,079	$368	$462	$308	$896	$164	$3,278	$29,182
Rank	8	49	44	4	1	13	9	11
District of Columbia								
Amount	$1,835	$1,800	$1,309	$419	$90	$277	$5,729	$37,890
Rank	1	3	5	1	39	3	1	1
New Jersey								
Amount	$780	$984	$1,761	$164	$93	$96	$3,878	$34,110
Rank	18	28	1	11	37	27	4	3
North Carolina								
Amount	$861	$920	$569	$120	$118	$61	$2,649	$25,104
Rank	14	34	39	18	20	40	30	30
Pennsylvania								
Amount	$738	$869	$805	$128	$193	$201	$2,934	$27,377
Rank	21	39	27	16	4	4	19	18
Virginia								
Amount	$886	$825	$838	$60	$87	$150	$2,846	$27,998
Rank	13	42	25	43	42	16	22	14
West Virginia								
Amount	$509	$997	$449	$146	$90	$177	$2,368	$20,298
Rank	36	27	45	14	40	9	43	50
U.S. Average	**$694**	**$1,067**	**$879**	**$124**	**$116**	**$109**	**$2,990**	**$27,077**

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 47).

[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 premiums 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, 1998-99*, U.S. Census Bureau (September 2001)

Exhibit 2.3
Maryland State and Local Tax Revenues – Comparison to Selected States
1998-99 Tax Revenues as a Percentage of Personal Income

	Personal Income Tax	Sales & Selective Taxes[1]	Property Tax	Corporate Income Tax	License Fees	Other Taxes[2]	All Taxes	Per Capita Personal Income
Maryland								
Percent	*4.1%*	*2.7%*	*2.6%*	*0.3%*	*0.2%*	*0.5%*	*10.5%*	*$30,600*
Rank	*4*	*45*	*36*	*39*	*45*	*19*	*38*	*6*
Delaware								
Percent	3.7%	1.3%	1.6%	1.1%	3.1%	0.6%	11.2%	$29,182
Rank	8	50	50	3	1	14	19	11
District of Columbia								
Percent	4.8%	4.8%	3.5%	1.1%	0.2%	0.7%	15.1%	$37,890
Rank	1	15	21	2	46	8	1	1
New Jersey								
Percent	2.3%	2.9%	5.2%	0.5%	0.3%	0.3%	11.4%	$34,110
Rank	35	44	4	17	44	32	14	3
North Carolina								
Percent	3.4%	3.7%	2.3%	0.5%	0.5%	0.2%	10.6%	$25,104
Rank	12	32	41	18	25	39	33	30
Pennsylvania								
Percent	2.7%	3.2%	2.9%	0.5%	0.7%	0.7%	10.7%	$27,377
Rank	26	41	31	20	7	7	32	18
Virginia								
Percent	3.2%	2.9%	3.0%	0.2%	0.3%	0.5%	10.2%	$27,998
Rank	15	43	30	45	40	18	43	14
West Virginia								
Percent	2.5%	4.9%	2.2%	0.7%	0.4%	0.9%	11.7%	$20,298
Rank	31	12	42	7	28	4	11	50
U.S. Average	**2.6%**	**3.9%**	**3.2%**	**0.5%**	**0.4%**	**0.4%**	**11.0%**	**$27,077**

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 47).

[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 premiums 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, 1998-99*, U.S. Census Bureau (September 2001)

Exhibit 2.1 demonstrates that compared to other states, Maryland's tax mix is heavily weighted towards the income tax. Almost 40 percent of Maryland's total State and local tax revenues is derived from the personal income tax, ranking Maryland second among all states and first in the region in reliance on the income tax. Maryland ranked fourth among all states in personal income tax liability, whether measured on a per capita basis or as a percent of total personal income. Part of Maryland's high income tax ranking reflects the local "piggyback" tax imposed by the counties, which can constitute as much as 40 percent of an individual's combined State and local income tax liability (based on a top marginal State income tax rate of 4.75 percent and a flat county income tax rate of 3.1 percent, as applicable in some counties). Comparing state income taxes only, Maryland's income tax is closer to average, with the State's rankings under the income tax dropping to fourteenth on a per capita basis and twenty-third on a percentage of income basis.

Maryland ranked low in regard to reliance on sales taxes. Exemptions under the State sales and use tax for grocery food, residential utilities, and medicine; the exclusion of most services from the base of the State sales and use tax; and the absence of local general sales taxes in Maryland all contribute to the low ranking in regards to sales taxes. Maryland's State sales and use tax rate of 5 percent compares favorably with most neighboring states. Virginia is the only neighboring state that imposes a lower sales tax rate than Maryland (4.5 percent). Delaware does not levy a sales tax, but it does impose a gross receipts tax, the cost of which may be incorporated in retail prices.

In considering these rankings, it should be noted that they are based on fiscal 1999 data, which is the latest comparative information available. Since that time, Maryland has made substantial changes to the income tax (reducing the State income tax by 10 percent over the period from tax year 1998 to tax year 2002) as well as other less substantial changes to other taxes. Other states have also made substantial changes to their tax structures during the same time which could affect these comparisons. In addition, although this data provides a useful basis for general comparisons of the tax structures of various states, it should be noted that varying demographics among the states and nuances of the revenue structures of the states limit the utility of these types of comparisons.

Chapter 3. Individual Income Tax

Taxpayer

Maryland taxpayers are individuals who maintain legal residence in Maryland or who earn or receive income from Maryland sources.

Six classifications are: single, married filing joint, married filing separately, head of household, qualifying widow(er) with dependent child, and dependent taxpayer.

Employers are required to withhold taxes (based on withholding tables) from wages of employees.

Income earned by an estate of a deceased person is subject to income taxes in the same manner as individuals.

Tax Base

The tax base is the taxpayer's federal adjusted gross income adjusted by Maryland addition and subtraction modifications, deductions, and exemptions, yielding "Maryland Taxable Income."

Valuation of Base

The individual taxpayer states the value of the base in the return. The return is subject to audit.

Tax Rates

As a result of tax relief legislation enacted in 1997 and 1998, the top marginal income tax rate declined from tax year 1998 through 2002. Exhibit 3.1 shows Maryland's State income tax rates for tax year 2002. The top rate, which had been 5% in 1997, declined to 4.85% for tax years 1999 and 2000, to 4.8% for tax year 2001, and to 4.75% for tax year 2002 and beyond.

Exhibit 3.1
Maryland State Income Tax Rates
Effective January 1, 2002

Maryland Taxable Income		
Over	**But Not Over**	**Amount of Tax**
$ 0	$1,000	2% of Maryland taxable income
1,000	2,000	$20 plus 3% of excess over $1,000
2,000	3,000	$50 plus 4% of excess over $2,000
3,000	---	$90 plus 4.75% of excess over $3,000

Source: Annotated Code of Maryland, Section 10-105 of the Tax – General Article

Computation of Tax

Exhibit 3.2 summarizes the primary components of the individual income tax computation and provides the gross dollar amounts associated with each component for the 2000 tax year. A description of each component follows the exhibit.

Exhibit 3.2
Computation of Individual Income Tax
Tax Year 2000
($ in Millions)

Federal Adjusted Gross Income	$139,470.6
plus	
addition modifications	536.5
less	
subtraction modifications	18,499.1
equals	
Maryland Adjusted Gross Income	$121,508.1
less	
deductions	7,889.4
less	
exemptions	8,192.8
equals	
Maryland Taxable Income	$95,425.9

Exhibit 3.2 (continued)

multiplied by	
State tax rate (effective rate for tax year 2000)	4.730%
equals	
Gross State Tax	$4,513.1
less	
tax credits	171.6
equals	
State Income Tax Revenues	$4,341.5
Maryland Taxable Income	$95,425.9
multiplied by	
local income tax rates	
equals	
Local Income Tax Revenues	$2,501.4

Source: Annotated Code of Maryland, Title 10, Subtitle 2 of the Tax – General Article; *2000 Income Tax Summary Report*, Comptroller of Maryland

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Special Provisions

Addition Modifications to Federal Adjusted Gross Income

- interest on state or local obligations, excluding obligations of Maryland and its subdivisions
- 50 percent of tax preference items in excess of $10,000 ($20,000 for joint returns)
- the excess of the taxable amount of a lump sum distribution over the sum of 60 percent of the capital gains portion and the minimum distribution allowance
- oil percentage depletion allowance
- adjustments attributable to period of nonresident status
- income exempt from federal tax under federal tax law or treaty but not from Maryland tax
- net additions to Maryland partnership and fiduciary tax returns

- amounts claimed as enterprise zone credits, work not welfare credits, disability credits, research and development, and "S" corporation credits
- pickup contributions of a State retirement or pension system
- net operating loss deduction to the extent of a double benefit
- the amount allowed in a prior year as a subtraction modification under Tax – General Article, § 10-208(i) for reforestation or timber stand improvement in the year after decertification of land used for commercial forest land
- expenses attributable to unlicensed/unregistered child care centers or family day care homes
- amounts deducted for federal income tax purposes for college tuition (decoupled from the federal Economic Growth and Tax Relief Reconciliation Act of 2001)
- addition modification required to calculate Maryland taxable income without regard to the special depreciation allowance allowed under the federal Job Creation and Worker Assistance Act of 2002
- addition modification required to calculate Maryland taxable income without regard to the extended net operating loss carryback period allowed under the federal Job Creation and Worker Assistance Act of 2002

Subtraction Modifications to Federal Adjusted Gross Income

- interest and dividends on United States obligations, including mutual fund dividends attributable to United States obligations
- taxable pension and retirement annuity income up to the maximum annual Social Security benefit reduced by any Social Security benefits received if totally disabled or 65 years of age or older
- Social Security and railroad retirement benefits included in federal adjusted gross income
- certain employment-related household and dependent care expenses
- certain vehicle travel expenses for use of a vehicle for charitable purposes

- income received while not a resident of Maryland
- pension and disability payments for job-related injuries of police or firefighters
- net subtractions from Maryland partnership and fiduciary tax returns
- income tax refunds from any state, the District of Columbia, or any subdivision
- distributions to beneficiaries of income upon which fiduciary income tax has been paid
- profit from the sale or exchange of bonds issued by Maryland or its subdivisions
- benefits received from a Keogh Plan on which state income taxes were previously paid
- wages and salaries disallowed as a business expense because of taking the federal targeted jobs credit
- up to $1,000 in certain expenses incurred by an employee in obtaining readers for use in the employment of the blind, and up to $5,000 of expenses incurred by a blind individual for personal use or use in employment
- expenses for reforestation or timber stand improvements of commercial forest land
- up to $5,000 of certain expenses incurred by parents in adopting a child, up to $6,000 for a child with certain special needs adopted through a public or nonprofit adoption agency
- taxable fringe benefits on official vehicles used by police and fire department members
- certain expenses incurred in purchasing and installing conservation tillage equipment
- donated art work not deductible for federal tax purposes
- length of service awards to fire, rescue, or ambulance personnel, funded by counties or municipalities

- value of farm products donated to gleaning cooperatives that distribute food to the needy
- up to $15,000 in military pay attributable to service outside of the United States
- pickup contributions of a State retirement or pension system member included in federal adjusted gross income
- interest and dividend income of a dependent child included on the parent's return
- up to $2,500 in military retirement income of a qualified individual
- payment for relocation and assistance under Title 12, Subtitle 2 of the Real Property Article
- income that federal law or treaty exempts from a state but not federal tax on income
- up to $1,200 for income earned by two-income married couples filing joint returns
- the full cost of manure spreading equipment, which can be carried forward for up to five years
- contributions to (up to $2,500 annually) and earnings from the Maryland Higher Education Investment Program
- amounts received by a beneficiary of the Maryland Prepaid College Trust and Maryland College Investment Plan that are included in the beneficiary's federal adjusted gross income
- $3,500 for qualifying volunteer fire, rescue, or emergency medical services personnel or volunteer police officers, or members of the U.S. Coast Guard Auxiliary
- any income of an individual that is related to tangible or intangible property that was seized, misappropriated, or lost as a result of the Holocaust
- expenses incurred to buy and install handrails in an existing elevator in a health care facility or other building in which at least 50 percent of the office space is used for medical purposes

- payments from a pension system to the surviving spouse or other beneficiary of a law enforcement officer or firefighter whose death arises out or in the course of their employment

Deductions

Taxpayers are allowed to reduce their Maryland Adjusted Gross Income by either a "standard deduction" or by the total of qualifying itemized deductions. The standard deduction is equal to 15 percent of total Maryland Adjusted Gross Income, subject to a minimum of $1,500 ($3,000 for a joint return) and a maximum of $2,000 ($4,000 for a joint return).

If a taxpayer chooses to deduct the sum of qualifying itemized deductions (as shown on the federal tax return), that amount must be reduced by: (1) state and local income taxes itemized on the federal return, after subtracting a pro rata portion of the reduction to itemized deductions required of certain high income taxpayers for federal purposes; and (2) deductions attributable to the period of nonresidence.

Exemptions

The 1997 and 1998 tax relief legislation increased the amount allowed to be deducted as an exemption for the taxpayer and the taxpayer's spouse and dependents. As a result of this legislation, the exemption amount has doubled, from the $1,200 allowed in 1997 to $2,400 in 2002 and beyond.

An additional $1,000 exemption is allowed for a taxpayer, or spouse, who is blind or 65 years of age or older. For each dependent who is at least 65 years old, an extra exemption of $2,400 is allowed.

Tax Credits

Credits are allowed against State tax liability for:

- estimated tax payments made during the tax year or with an extension request;
- taxes withheld and paid to Maryland by employers;
- income tax paid to another state;

- certain wages and child care and transportation expenses for qualified employees who had been receiving welfare payments or who have disabilities;

- a certain percentage (16% for tax years 2001 and 2002, 18% for tax year 2003, and 20% for tax years 2004 and beyond) of the federal earned income credit as a refundable credit, or, if no refund results, a credit of up to 50% of the federal credit may be claimed;

- the lesser of the amount of tax actually paid to another state on income from installment sales or 5 percent of recognized income from such sales, if that income is recognized for federal tax purposes in the current year;

- 20 percent of certain commercial rehabilitation expenditures for qualified historic properties and 25 percent of certain commercial rehabilitation expenditures for qualified historic properties;

- taxes owed for taxpayers under the poverty level, if they are ineligible for the refundable earned income credit;

- up to $5,000 annually for 15 years for the donation of a perpetual preservation or conservation easement if the easement is approved by the Board of Public Works;

- up to $500 for the purchase of a long-term health care insurance policy in the year the policy is first purchased;

- tuition paid by teachers for graduate level courses required to maintain certification;

- for individuals eligible for the federal Child and Dependent Care Credit, up to 32.5 percent of the federal credit for child and dependent care expenses;

- employees working in enterprise zones and focus areas;

- a portion of property taxes and/or wages paid to qualified employees of certain business entities that expand or establish in the State and create a minimum number of positions;

- 60 percent of property taxes paid on real property used to generate electricity for sale;

- wages paid by specified multijurisdictional electric companies at qualified corporate headquarters, subject to certain limitations;
- start-up and project costs of qualified businesses in distressed counties;
- 60 percent of the total State, county, and municipal property taxes paid on operating real property by a telecommunications company that is a public utility during a tax year;
- 50 percent of the cost of specified commuter benefits provided to employees, subject to a maximum of $50 per employee per month;
- 5 percent of the cost of providing long-term care insurance to employees, credit not to exceed $5,000 or $100 for each employee covered by long-term care insurance;
- portions of research and development expenses;
- a portion of the expenses associated with the production of electricity from specified qualified energy resources, including wind, biomass, poultry waste, and methane gas;
- a portion of expenses associated with the construction or rehabilitation of "green buildings;"
- 100 percent of the cost for the purchase of an aquaculture oyster float; and
- a portion of wages paid to qualified ex-felon employees (expires at the end of tax year 2004).

Refunds

Generally, refunds are made for overpayment of taxes for claims made within three years from the date the tax return was originally filed, or two years from the date of payment, whichever is later in accordance with the Tax – General Article, § 13-1104.

Part-year Residents

Taxpayers who have not resided in Maryland for the entire tax year must prorate their deductions, exemptions, and modifications to reflect the proportion of income earned in Maryland.

Payment Dates

For Individuals

Annual returns are due by April 15 of the year following the taxable year. If the taxpayer uses a fiscal year basis, then the returns are due on or before the fifteenth day of the fourth month following the end of the fiscal year.

A quarterly declaration is due if the taxpayer expects to be underwithheld by more than one-half of the federal threshold amount (currently $500). Such taxpayers must file an estimated return and make quarterly payments on or before April 15, June 15, September 15, and January 15 of the next year.

For Employers

If the total amount of income taxes required to be withheld in a quarterly period is $700 or more, employers are required to remit taxes withheld from employees on a monthly basis, generally by the fifteenth day of the following month. If the total quarterly amount is reasonably expected to be less than $700, a quarterly remittance is due by the last day of the month following the calendar quarter.

Administration of Tax

The Revenue Administration Division and Compliance Division, Comptroller of Maryland are primarily responsible for collecting and administering the income tax, the sales and use tax, and certain other taxes. The fiscal 2003 appropriations for these divisions are $59.0 million.

Fines, Penalties, and Interest

Failure to file – a penalty of not more than 25 percent of the tax due.

Fraudulent returns – an additional 100 percent of the underpayment.

Underpayments of the tax – interest assessed at a rate of 3 percent above the prime rate, but not less than 13 percent, as determined by State law.

Local Taxing Authority

The counties and Baltimore City are required to levy a local income tax on their residents. The tax is assessed as a percentage of the taxpayer's Maryland taxable income. Local governments are authorized to set a local income tax rate of at least 1 percent but not more than 3.2 percent. For tax year 2002, county income tax rates range from 1.25 percent (Talbot County) to 3.15 percent (Somerset County) of Maryland taxable income. Generally, each incorporated municipality shares in its county's income tax revenues by receiving 17 percent of the county income taxes paid by the municipality's residents.

Revenues

Individual income tax revenues are the largest single source of State revenues. In fiscal 2003 individual income tax revenues are projected to be about 52 percent of total general fund revenues and 24 percent of total revenues. Exhibit 3.3 sets forth Maryland's individual income tax revenues for fiscal 1970 to 2003.

Exhibit 3.3
Maryland's Individual Income Tax Revenues
Fiscal 1970 – 2003
($ in Millions)

Fiscal Year	Net State Revenues[1]	% Change[2]
1970	$ 413.9	---
1980	1,096.9	10.2
1985	1,767.9	10.0
1990	2,863.7	10.1
1991	2,929.4	2.3
1992	2,906.8	(0.8)
1993	3,078.5	5.9
1994	3,224.3	4.7
1995	3,399.3	5.4
1996	3,483.9	2.5
1997	3,767.2	8.1
1998	4,156.1	10.3
1999	4,296.2	3.4
2000	4,763.3	10.5
2001	5,133.7	8.2
2002 (est.)	4,989.1	(3.0)
2003 (est.)	5,072.0	1.7

[1] Net of refunds and distribution to subdivisions.
[2] For 1980, 1985, and 1990, figures reflect average annual change.
Source: Board of Revenue Estimates; Department of Legislative Services

Distribution of Revenues

Individual income tax revenues (after an allowance for refunds, administrative costs, and unallocated withholdings) are distributed to the general fund. The local portion of the tax imposed by the counties and Baltimore City (not reflected in the figures above) is collected by the State and is distributed quarterly, after deducting administrative costs and a pro rata share of refunds, to the appropriate local government.

Trends

The personal income tax, the State's single most important revenue source, is estimated to yield approximately $5.1 billion in fiscal 2003 (and an additional $2.8 billion for the counties and municipalities). On average, each Maryland taxpayer in tax year 2000 paid approximately $1,748 in State income taxes, plus $1,007 in local income taxes.

Notwithstanding the 10 percent income tax reduction phased in over tax years 1998 through 2002, income tax revenue growth was strong in fiscal 1997 through 2001, due in part to large capital gains realizations from the surging stock market. However, Maryland began to feel the effects of a nationwide recession during calendar 2000 and 2001, which slowed the growth of individual income tax revenues. The change from fiscal 2001 to 2002 was the first time in a decade that individual income tax revenues declined over the prior year.

In the near term, growth in income tax revenues is expected to remain relatively weak, reflecting relatively weak growth in the economy. Growth in revenues should improve over the longer term, but the very strong growth of the late 1990s is not expected to be repeated in the near future. Personal income growth averaging around 5 percent is expected over the long term. The rate of growth in income tax revenues may be restricted by the minimal graduation of Maryland's income tax rate structure, which produces lower elasticity between income tax revenue growth and personal income growth than in other states with more graduated income tax rate structures.

Comparison with Other States

Exhibit 3.4 shows how Maryland's individual income tax revenues compare with neighboring states.

Exhibit 3.4
Maryland State and Local Individual Income Tax
Comparison to Selected States
Fiscal 1999

	Percentage of Total Taxes		Per Capita		Percentage of Personal Income	
	Percent	Rank	Amount	Rank	Percent	Rank
Maryland	*39.6%*	*2*	*$1,269*	*4*	*4.1%*	*4*
Delaware	32.9%	5	$1,079	8	3.7%	8
District of Columbia	32.0%	7	$1,835	1	4.8%	1
New Jersey	20.1%	36	$780	18	2.3%	35
North Carolina	32.5%	6	$861	14	3.4%	12
Pennsylvania	25.1%	24	$738	21	2.7%	26
Virginia	31.1%	10	$886	13	3.2%	15
West Virginia	21.5%	34	$509	36	2.5%	31
U.S. Average	**23.2%**		**$694**		**2.6%**	

Note: For the rankings, 1 indicates the highest. Rankings are out of 44.

Source: *Government Finances, 1998-99*, U.S. Census Bureau (September 2001)

History of Major Changes

1937 – Individual income tax enacted.
– Tax rate of one-half percent.
– Exemptions: $1,000 for individuals, $2,500 for married couples, and $400 for each additional dependent.

1940s – Rates frequently adjusted to yield nearly constant revenues.

1949 – Additional $1,000 exemption for aged or blind taxpayers.
– Tax credit of $600 for taxpayers with dependents over 65 years of age.

1955 – Employer withholding from wages.
– All exemptions set at $800.

1958 – Tax rate set at 3 percent of ordinary income.

1967 – Conformed State tax to federal income tax with addition and subtraction modifications.
– Imposed current tax rate structure.
– Piggyback county income tax enacted.

1975 – Tax preference items made an addition modification.

1978 – Child care expenses made a subtraction modification (this became a credit on the federal return in 1977).

1979 – Increase in standard deduction from 10 to 13 percent of Maryland adjusted gross income with the maximum standard deduction increased to $1,500 per return ($3,000 for a joint return).

1982 – Federal two-earner marital deduction made an addition modification.

1985 – Social Security and railroad retirement benefits became subject to federal income tax; income from these sources made a subtraction modification (both effective for taxable year 1984).

1987 – Conformed State tax to federal income tax law changes with the exception of the tax treatment of capital gains (40 percent capital gains subtraction modification enacted).
– Personal exemption increased to $1,000 in 1987 and $1,100 in 1989.
– Standard deduction percentage increased to 15 percent with a minimum of $1,000 and maximum of $2,000 ($2,000 minimum and $4,000 maximum for joint returns).
– Earned income credit equal to 50 percent of federal earned income credit enacted.
– Tax amnesty was held September 1 through October 31.

1988 – Chesapeake Bay and Endangered Species Fund checkoff enacted.

1989 – Personal exemption increased to $1,200 beginning in 1990.
– Standard deduction increased to a $1,500 minimum with a $2,000 maximum ($3,000 minimum and $4,000 maximum for joint returns).
– Subtraction modifications enacted for earned income of individuals below the poverty line.

– Decoupled from federal tax treatment of the elderly and blind by converting from an extra standard deduction to an additional exemption of $1,000.

1991 – Capital gains subtraction is limited based on income, then phased out; it decreased from 40 to 30 percent in 1991 and was eliminated for tax years after 1991.

1992 – Temporary 6 percent tax rate added for incomes over $100,000 for single taxpayers and $150,000 for joint returns; the rate applied for tax years 1992 through 1994 only.

– The option for married couples to file combined separate returns is eliminated, but a two-earner subtraction is allowed for up to $1,200 of salary income, resulting in a similar benefit.

– Local income ("piggyback") tax ceiling increased from 50 percent to 60 percent of State income tax liability.

1993 – The two-earner subtraction is expanded to include all types of income.

1994 – Threshold for filing estimated taxes raised from $100 to one-half of the federal threshold.

1997 – Top rate reduced from 5 to 4.75 percent and personal exemption increased from $1,200 to $2,400, phased in from 1998 to 2002; local income tax calculation based on 5 percent top rate and $1,200 personal exemption amount.

1998 – Phase-in of tax reduction accelerated; top rate reduced to 4.875% for 1998 (from 4.95%) and to 4.85% for 1999 (from 4.9%), and exemptions increased to $1,750 for 1998 (from $1,400) and to $1,850 for 1999 (from $1,600); last three years of phase-in unaffected.

– Earned income credit made refundable at 10% of the federal credit for 1998 and 1999, 12.5% for 2000, and 15% thereafter.

1999 – Alteration of the local income tax calculation so that the local tax is a percentage of Maryland taxable income (instead of a percentage of the State tax).

2000 – Acceleration of refundable earned income credit phase-in – made refundable at 15 percent of the federal credit for 2000.

2001 – Tax amnesty was held September 1 through October 31.
– Refundable earned income credit made 16% of the federal credit for 2001 and 2002, 18% for 2003, and 20% for 2004.

2002 – Addition modification required for amounts deducted for federal income tax purposes for college tuition – decoupled from federal Economic Growth and Tax Relief Reconciliation Act of 2001.
– Addition modification required to calculate Maryland taxable income without regard to the special depreciation allowance and extended net operating loss carryover provisions of the Job Creation and Worker Assistance Act of 2002.

Sections of the Maryland Annotated Code

Tax – General Article, Titles 2, 10, and 13

Legislative Handbook Series Cross-reference

Maryland Local Government: Revenues and State Aid, Volume VII

Chapter 4. Sales and Use Tax

Taxpayer

The sales and use tax is imposed on: (1) the purchase of goods sold in Maryland; (2) the use, storage, or consumption in Maryland of tangible personal property purchased outside the State; and (3) certain services defined as taxable services in the Annotated Code of Maryland. Vendors who are engaged in business in this State are required to collect the tax from the purchaser.

Tax Base

The tax base for the sales and use tax is the taxable price of the goods and services sold that are subject to the tax.

Valuation of Base

The taxable price of goods subject to tax is defined by statute to include any consideration of any kind for a sale, including the value of a trade-in. Exclusions are provided for separately stated charges for installation, professional services, finance charges, delivery charges, certain taxes, certain mandatory gratuities for serving food or beverages, certain service charges in connection with the rental of video and audio equipment, or reimbursement of certain expenses in connection with providing a taxable detective service; and for the value of certain used parts on sales of remanufactured truck parts.

Tax Rates

The general sales and use tax is imposed on a bracket basis approximating 5 percent; a tax of 1 cent is imposed on sales of 20 cents, plus 1 cent for each 20 cents or fraction thereof in excess of 20 cents. The tax does not apply to sales of less than 20 cents.

A special 11.5 percent tax is imposed on the rental of any passenger car or multipurpose vehicle that is rented for a period of 180 days or less, for which the lessor does not furnish a driver and which is not to be used for transporting passengers or property for hire. Certain rental trucks are taxed at 8 percent.

Special Provisions

Related Taxes

A motor vehicle excise (titling) tax of 5 percent is imposed on the sale of motor vehicles in lieu of the sales and use tax. See Chapter 10 of this handbook for more information.

An excise tax on vessels of 5 percent is imposed on the sale of boats in lieu of the sales and use tax. See Chapter 9 of this handbook for more information.

A special use tax is imposed on the use, in the State, of electricity not distributed by a public service company at a rate of 0.062 cents per kilowatt hour. The special use tax does not apply to electricity that is used for residential purposes or used exclusively for emergency back-up generation and does not apply to on-site generated electricity.

Services Taxed

- cellular phone and other mobile telecommunications services
- telephone custom calling features
- 900-type telephone services
- telephone answering services
- prepaid telephone calling arrangements
- security services
- commercial building cleaning
- commercial cleaning and laundering of textiles for businesses
- credit reporting services
- pay-per-view television
- production of tangible personal property by special order

- transportation services for transmission, distribution, or delivery of taxable electricity or natural gas

Major Exemptions or Exclusions

- sales of agricultural equipment and supplies
- sales to nonprofit charitable, education, or religious organizations
- sales of a Maryland State, United States, prisoner of war, or missing in action flag
- sales of food by grocery stores not including certain prepared foods
- vending machine sales of milk, fresh fruit and vegetables, and yogurt
- bulk vending machine sales if the taxable price of the merchandise is 25 cents or less
- sales of natural gas, electricity, steam, oil, coal, and firewood for residential use
- sales of aircraft, motor vehicles, railroad rolling stock, or vessels and parts or components used in interstate or foreign commerce
- casual and isolated sales of less than $1,000 and certain capital transactions
- sales of machinery, equipment, and other tangible personal property used directly and predominantly in a production activity
- sales of medicines and medical supplies and certain health, physical, and hygienic aids
- sales of used mobile homes
- sales of property acquired by a nonresident before coming into the State or for use in the presentation of an exhibit, show, or sporting event of less than 30 days
- sales of photographic material and sales of artwork, composition, plates, etc. to commercial printers

- sales of direct mail advertising literature and mail order catalogues that will be distributed outside the State
- sales of government documents
- sales of property stored in the State pending shipment to another state and sales of property to a contractor for incorporation into real property in another jurisdiction where the personal use of that property would not be subject to a sales and use tax or similar tax
- sales of property used or consumed in research and development
- sales of certain equipment and supplies for seafood harvesting purposes
- sales of fuel or repair parts for a commercial fishing vessel or for a vessel otherwise used for commercial purposes
- sales of electricity, fuel, and other utilities used to operate the machinery or equipment used to produce snow for commercial purposes
- sales of personal, professional, or insurance services that involve a sale as an inconsequential element for which no separate charge is made
- sales to the State and its political subdivisions (but not including sales to real property contractors for State or local governments)
- sales of items taxed under other laws, including admissions, motor fuel, certain communication services, and motor vehicles
- sales of transportation services
- sales of water through pipes and conduits
- sales of property for resale or incorporated in other personal property produced for resale
- sales of digital telecommunications machinery or equipment that enables a television or radio station to originate and broadcast, or receive and broadcast, digital signals and that has been purchased to comply with the federal Telecommunications Act of 1996

- sales of tangible personal property or a taxable service that is used directly in connection with a film production activity

- sales of specified energy-efficient appliances purchased before specified dates: clothes washers, room air conditioners, and refrigerators that meet or exceed applicable Energy Star efficiency guidelines; and certain energy-efficient fuel cells, heat pumps, hot water heaters, and central air conditioners

- sales of multifuel pellet stoves

Credit for Collections

In order to cover the expense of collection, persons filing timely returns are allowed to take a vendor credit against the gross tax remitted in an amount equal to 1.2 percent of the first $6,000 collected and 0.9 percent of the excess.

For fiscal 2003 and 2004 only, Chapter 440 of 2002 reduced the amount of the sales tax vendor credit by 50 percent, to 0.6 percent of the first $6,000 in tax collected and 0.45 percent of the excess collected each month.

Refunds

Refunds are made for overpayment of the tax for claims filed within four years from the payment of the tax.

Payment Dates

The tax is to be collected from purchasers at the time of sale or, in the case of out-of-state sales, when the use, storage, or consumption becomes subject to the tax. Vendors who have collected the tax and purchasers who have not paid the tax to vendors are required to remit the tax to the Comptroller by the twenty-first day of the month following the month in which the sale or use occurred. The Comptroller is authorized to provide for less frequent filing schedules where circumstances warrant.

Administration of Tax

The Revenue Administration Division and Compliance Division, Comptroller of Maryland are primarily responsible for collecting and administering the sales and use tax, the income tax, and certain other taxes. The fiscal 2003 appropriations for these divisions are $59.0 million.

Fines, Penalties, and Interest

Failure to file, filing late, or underpaying the tax – a penalty of 10 percent of the tax due.

Failure to comply with a notice and demand for payment of a sales and use tax assessment that is final – a penalty of 25 percent of the tax due.

Fraudulent returns and fraudulent failure to file returns – a penalty of 100 percent of the tax due.

Underpayments of the tax – interest assessed at a rate of 3 percent above the prime rate, but not less than 13 percent, as determined by State law.

Local Taxing Authority

Local governments in Maryland are not authorized to impose a general sales tax. Certain local governments are authorized to levy selected sales taxes on certain categories of sales, the most common of which are utility, transient room rentals, and parking taxes.

Revenues

Sales and use tax revenues are the State's second largest source of general fund revenues. Exhibit 4.1 sets forth Maryland's sales and use tax revenues for fiscal 1975 to 2003. In fiscal 2003 sales and use tax revenues are projected to be approximately $2.8 billion.

Distribution of Revenues

After an allowance for refunds and administrative costs, the revenues are generally distributed to the general fund. Revenues from the sales tax on short-term rental vehicles are distributed to the general fund (55 percent) and to the Transportation Trust Fund (45 percent), with 80 percent of that distribution going to the Gasoline and Motor Vehicle Revenue Account (shared with local governments).

Exhibit 4.1
Maryland Sales and Use Tax Revenues
Fiscal 1975 – 2003
($ in Millions)

Fiscal Year	Net State Revenues[1]	% Change[2]
1975[3]	$ 396.0	---
1980[4]	712.9	12.5
1985	1,098.5	9.0
1990	1,572.0	7.4
1991	1,540.9	(2.0)
1992	1,579.8	2.5
1993[5]	1,718.2	8.8
1994	1,814.9	5.6
1995	1,951.0	7.5
1996	2,000.3	2.5
1997	2,093.8	4.7
1998	2,161.2	3.2
1999	2,299.3	6.4
2000	2,497.5	8.6
2001	2,646.1	5.9
2002 (est.)	2,666.9	0.8
2003 (est.)	2,787.8	4.5

[1] Revenues are net of refunds (but include license fees).
[2] Figures for 1980, 1985, and 1990 reflect average annual change.
[3] Until June 1, 1977, the tax rate was 4%.
[4] The rate increased from 4% to 5% in 1977 and sales of manufacturing machinery and equipment, agricultural equipment, and residential gas, electricity, steam, oil, and coal were exempted from tax in 1980.
[5] The 1993 increase in revenue growth reflects the repeal of certain exemptions and the broadening of the tax base to include certain services under Chapter 1 of the First Special Session of 1992.
Source: Board of Revenue Estimates; Department of Legislative Services

Trends

Historically, sales tax revenues have grown at a similar rate to the increase in personal income. However, over the last decade, revenues have not kept pace with Maryland's strong economic growth. Since 1997 growth in personal income has averaged 6 percent, while sales tax revenues have grown more slowly due in part to rising growth in the service industry, which is expected to continue to expand.

Because personal goods purchased over the Internet are not subject to tax, the expansion of E-commerce has also stunted sales tax revenue growth. Growth in sales tax revenues from all sources is expected to slow in the next few years as E-commerce is expected to grow and consumer spending on retail goods and taxable services is growing more slowly than personal income. Additionally, Maryland's relatively narrow sales tax base inhibits revenue growth in this area.

Comparison with Other States

Sales taxes are imposed by 45 states and the District of Columbia. Every state that imposes a sales tax also imposes a tax in the nature of a compensating use tax. There is little uniformity in tax rates, tax bases, and exemptions from state to state. Exhibit 4.2 shows how Maryland's general sales tax revenues compare with other states in the region. See Exhibit 4.3 for the major features of state sales taxes.

Exhibit 4.2
Maryland Sales and Use Tax
Comparison to Selected States
Fiscal 1999

	Percentage of Total Taxes		Per Capita		Percentage of Personal Income	
	Percent	Rank	Amount	Rank	Percent	Rank
Maryland	*13.9%*	*45*	*$445*	*45*	*1.45%*	*45*
Delaware	0.0%	n.a.	$0	n.a.	0.00%	n.a.
District of Columbia	19.9%	36	$1,142	3	3.01%	18
New Jersey	16.0%	42	$621	31	1.82%	42
North Carolina	21.7%	28	$575	35	2.29%	37
Pennsylvania	19.4%	38	$568	36	2.07%	39
Virginia	15.8%	43	$450	44	1.61%	43
West Virginia	21.0%	33	$497	43	2.45%	33
U.S. Average	**24.6%**		**$736**		**2.72%**	

Note: Includes state and local general sales tax revenues. Maryland localities are not authorized to impose a general sales tax. For the rankings, 1 indicates the highest. Rankings are out of 47. Delaware does not impose a general sales tax.
Source: *Government Finances, 1998-99*, U.S. Census Bureau (September 2001)

Exhibit 4.3
Major Features of State Sales Taxes
Comparison with Other States
(As of August 2002)

State	% Tax Rate	States Exempting Food	States Exempting Prescr. Drugs
Alabama	4		E
Alaska	No State Sales Tax		
Arizona	5.6	E	E
Arkansas	5.125		E
California	6	E	E
Colorado	2.9	E	E
Connecticut*	6	E	E
Delaware	No State Sales Tax		
D.C.*	5.75	E[6]	E
Florida	6	E	E
Georgia	4	E	E
Hawaii	4		E
Idaho	5		E
Illinois	6.25	1%	
Indiana*	5[1]	E	E
Iowa	5	E	E
Kansas	5.3[2]		E
Kentucky	6	E	E
Louisiana	4	E[7]	E
Maine*	5	E[6]	E
Maryland*	5	E	E
Massachusetts*	5	E	E
Michigan*	6	E	E
Minnesota	6.5	E	E
Mississippi*	7		E
Missouri	4.225[3]	1%	E
Montana	No State Sales Tax		
Nebraska	5[4]	E	E
Nevada	6.5[5]	E	E
New Hampshire	No State Sales Tax		
New Jersey	6	E	E
New Mexico*	5		E
New York	4	E	E
North Carolina	4.5		E
North Dakota	5	E	E
Ohio	5	E	E
Oklahoma	4.5		E
Oregon	No State Sales Tax		
Pennsylvania	6	E	E
Rhode Island*	7	E	E
South Carolina	5		E
South Dakota	4		E
Tennessee	7		E
Texas	6.25	E	E
Utah	4.75		E
Vermont	5	E	E
Virginia	3.5		E
Washington	6.5	E	E
West Virginia*	6		E
Wisconsin	5	E	E
Wyoming	4		E
U.S.		29	44

* Local sales/use taxes not authorized or imposed.
E - Exempt from sales tax.
[1] Effective December 1, 2002, the tax rate increases to 6%.
[2] Effective July 1, 2004, the rate decreases to 5.2% and effective July 1, 2005, the rate decreases to 5%.
[3] Rate decreases to 4.125% on November 8, 2008.
[4] From October 1, 2002, through September 30, 2003, the rate increases to 5.5%.
[5] Tax rate is a composite of a 2% state rate plus a 4.5% state-mandated county rate.
[6] Snack foods excluded from exemption.
[7] Exemption suspended until June 30, 2004. Tax rate on food for home consumption is reduced to 3.9% on July 1, 2002, and to 3.8% on July 1, 2003.

Source: CCH Incorporated, State Tax Guide 2002, Department of Legislative Services

History of Major Changes

1947 – Retail sales and use taxes enacted at 2 percent rate and first imposed on July 1, 1947.

1959 – Rate increased to 3 percent on January 1, 1959.

1969 – Rate increased to 4 percent on June 1, 1969.

1977 – Rate increased to 5 percent on June 1, 1977.

1980 – Sales of manufacturing machinery and equipment, residential utilities, and cigarettes exempted from the tax.

1991 – Exemption for cigarettes repealed.

1992 – Cleaning, security, custom telephone, credit reporting, and pay-per-view television services added to base, and tax imposed on snack foods and food for immediate consumption.

1995 – Long-term motor vehicle leases exempted from the tax.

1996 – Exemption for snack foods restored, effective July 1, 1997.

1997 – Exemption for tangible personal property used in a production activity broadened, phased in through a credit and fully effective July 1, 2000.

Sections of the Maryland Annotated Code

Tax – General Article, Titles 2, 11, and 13

Legislative Handbook Series Cross-reference

Maryland Local Government: Revenues and State Aid, Volume VII

Chapter 5. Business Taxes

Corporate Income Tax

Taxpayer

Each Maryland corporation and every other corporation that conducts business within Maryland, including public service companies and financial institutions must pay the corporate income tax.

Tax Base

The tax base is the portion of federal taxable income, as determined for federal income tax purposes and adjusted for certain Maryland addition and subtraction modifications, that is allocable to Maryland. Federal taxable income for this purpose is the difference between total federal income and total federal deductions (including the net operating loss deduction and other special deductions).

Valuation of Base

The corporate taxpayer states the value of the base in the return. The return is subject to examination and audit.

Tax Rate

A tax rate of 7 percent is applied to Maryland taxable income.

Computation of Tax

Exhibit 5.1 summarizes the components of the corporate income tax computation.

Exhibit 5.1
Computation of Corporate Income Tax

Federal Taxable Income

plus
addition modifications
less
subtraction modifications
equals

Maryland Modified Income

multiplied by
apportionment factor
equals

Maryland Taxable Income

multiplied by
State tax rate
equals

Gross Maryland Tax

less
tax credits
equals

Maryland Tax Liability

Source: Annotated Code of Maryland, Title 10 of the Tax – General Article

Special Provisions

Addition Modifications to Federal Taxable Income

- State and local income taxes
- interest or dividends attributable to state or local obligations (except Maryland and its subdivisions)
- net operating loss modification to the extent of a double benefit
- oil percentage depletion allowance
- interest or dividends on U.S. or foreign obligations if exempted by federal law from federal income tax but not state income tax
- reforestation amount allowed in prior tax year if land was decertified in the previous year
- net capital loss carryback
- expenses attributable to unlicensed/unregistered child care center or family day care home
- the value of specified State tax credits including the:
    - enterprise zone wage credit;
    - employment opportunity credit (for a portion of wages paid to certain welfare recipients)
    - disability credit (for a portion of wages paid to certain individuals with disabilities)
    - credit for property taxes paid by telecommunications companies
    - credit for property taxes paid by a public utility on operating real property used to generate electricity for sale

- credit for wages paid to employees at a qualified headquarters of a public service company
- credit for qualified research and development expenses

Subtraction Modifications to Federal Taxable Income

- interest income attributable to obligations of the U.S. and its instrumentalities
- dividends received from mutual funds that derive at least 50 percent of their interest from U.S. government obligations
- refunds of state and local income taxes
- profit realized from the sale or exchange of bonds issued by the State or its political subdivisions
- cost of purchasing certain poultry or livestock manure spreading equipment
- expenses to buy and install handrails in an existing elevator in a health care facility or any building that is used 50 percent of more for medical purposes
- amounts received by the Stadium Authority in consideration of the transfer of the heritage structure rehabilitation tax credit
- gain or loss on the disposition of certain assets by a public service company
- dividends received by domestic corporations from certain foreign corporations, if the receiving corporation owns 50 percent or more of the paying corporation's outstanding stock
- dividends included in the income of a domestic corporation claiming a foreign tax credit under Section 78 of the Internal Revenue Code
- expenses incurred for certain conservation tillage equipment (including liquid manure soil injection equipment)
- a portion of dividends received from affiliated domestic international sales corporations

- twice the expenses incurred for certain reforestation or timber stand improvement activity
- payments for relocation and assistance under the Real Property Article, Title 12, Subtitle 2
- for a regulated investment company, the amount of the addition for interest and dividends from state or local obligations of another state
- wages paid related to the federal targeted jobs credit for which a federal deduction was not allowed, not to exceed the federal targeted jobs credit

Exemptions

Entities not required to file a corporate income tax return include:

- IRA trusts that are exempt from federal income taxation, except those with taxable income for federal purposes;
- common trust funds;
- nonprofit organizations that are exempt from federal income taxation, except for any unrelated business taxable income;
- investment conduits such as a regulated investment company, real estate investment company, and real estate mortgage investment conduit, except those with taxable income for federal purposes;
- insurance companies subject to the insurance premium tax;
- business trusts;
- partnerships as defined in Section 761 of the Internal Revenue Code;
- small business corporations that have elected to be taxed in accordance with Subchapter S of the Internal Revenue Code, except to the extent that their income is subject to federal income tax; and
- limited liability companies to the extent that the company is taxable as a partnership.

Apportionment of Income

Corporations engaged in multistate operations are required to determine the portion of their modified income attributable to Maryland, a determination based on the amount of their trade or business that is carried out in Maryland. Corporations are generally required to use a three-factor formula that incorporates property, payroll, and a double-weighted receipts factor (receipts thus represent 50 percent of the final apportionment factor). The apportionment factor is multiplied by a corporation's modified total income to determine the amount subject to Maryland tax.

Corporations engaged primarily in leasing or rental activities are required to use an equally weighted two-factor formula of receipts and property.

Corporations engaged primarily in transportation activities are required to use a one-factor formula specific to the industry.

Corporations engaged primarily in manufacturing activities are required to use a one-factor formula of receipts.

Tax Credits

Major credits allowed against State tax liability include:

- any estimated or tentative tax payments remitted for the account;
- certain wages paid to qualified employees in an enterprise zone or a focus area;
- certain wages and child care and transportation expenses for qualified employees who had been receiving welfare payments or who have disabilities;
- job creation tax credit (a portion of wages paid by certain businesses that expand or establish in the State and create a minimum number of jobs);
- neighborhood and community assistance credit;
- heritage structure rehabilitation credit;
- solar water heating and photovoltaic property credit;
- qualified energy resources credit;

- green building credit;
- One-Maryland economic development credit (start-up and project costs of qualified businesses in distressed counties);
- employer provided long-term care insurance credit;
- work-based learning program credit;
- qualified research and development expenses credit;
- commercial fertilizer credit;
- credit for easement conveyed to the Maryland Environmental Trust or the Maryland Agricultural Land Preservation Foundation;
- electric public utility credits for a portion of property taxes paid and for employees at a qualified company headquarters facility;
- employer provided commuter benefits credit;
- $3 for each ton of Maryland-mined coal purchased by a cogenerator not subject to the public service company franchise tax; and
- for telecommunications companies that are public utilities, 60 percent of the property taxes paid on operating real property.

Refunds

Generally, refunds are made for overpayment of tax for claims made within three years from the date the tax return was originally filed, or two years from the date of payment, whichever is later.

Payment Dates

Annual returns are due by the fifteenth day of the third month following the close of the corporation's taxable year (March 15 for calendar year taxpayers).

Quarterly declarations of estimated tax are due when the tax can reasonably be expected to exceed $1,000. Such quarterly declarations are due by the fifteenth day of the fourth, sixth, ninth, and twelfth months of the taxable year.

Tentative tax payments remitted with an application for extension of time to file are required by the original annual return due date.

Administration of Tax

The Revenue Administration Division and Compliance Division, Comptroller of the Treasury are primarily responsible for collecting and administering the individual and corporate income tax, the sales and use tax, and certain other taxes. The fiscal 2003 appropriations for these divisions are $59.0 million.

Fines, Penalties, and Interest

Underpayments of the tax – interest assessed at a rate of 3 percent above the prime rate, but not less than 13 percent, as determined by State law.

Failure to timely remit the tax due – an additional 25 percent of the underpayment.

Additional tax due after the original return due date and not remitted after initial billings – not more than 25 percent of the additional tax due.

Failure to remit quarterly estimated tax payments – not more than 25 percent of the underestimated tax.

Fraudulent returns or fraudulent failure to file a return – an additional 100 percent of the underpayment.

Local Taxing Authority

None.

Revenues

Exhibit 5.2
Maryland Corporate Income Tax Revenues
Fiscal 1975 – 2003
($ in Millions)

Fiscal Year	Transportation Trust Fund Allocation	General Fund Allocation	Total State Revenues[1]	% Change[2]
1975	$ 7.9	$ 76.0	$83.9	---
1980	17.0	126.1	143.1	11.3
1985	72.5	141.4	213.9	8.4
1990	121.2	140.8	234.7	1.9
1995	115.4	193.0	308.4	6.3
1996	77.5	252.3	329.8	6.9
1997	82.1	266.0	348.1	5.5
1998	82.9	268.6	351.6	1.0
1999[3]	95.4	306.1	401.5	14.2
2000	99.9	319.5	419.3	4.4
2001[4]	118.2	374.4	492.6	17.5
2002 (est.)	75.1	245.2	320.4	(35.0)
2003 (est.)	94.2	302.4	396.6	23.8

[1] Net of refunds.
[2] For 1980, 1985, and 1990, figures reflect average annual change.
[3] The increase reflects financial and telecommunications companies becoming subject to the corporate income tax.
[4] The increase reflects financial, telecommunications, and public service companies becoming subject to the corporate income tax.

Source: Board of Revenue Estimates; Department of Legislative Services

Distribution of Revenues

Beginning in fiscal 2003, after an allowance for refunds, 24 percent of corporate income tax revenues are distributed to the Gasoline and Motor Vehicle Revenue Account in the Transportation Trust Fund with the balance distributed to the general fund.

Prior to fiscal 2003, after an allowance for refunds, corporate income tax revenues were distributed as follows:

- 10.7 percent to the Transportation Trust Fund to be used for any purpose allowed under Title 8 of the Transportation Article;
- $30,928,000 to the general fund;
- 16 percent of the balance remaining after the aforementioned distributions to the Gasoline and Motor Vehicle Revenue Account in the Transportation Trust Fund; and
- the remaining balance distributed to the general fund.

Trends

In general, both corporate income tax revenues and corporate profits have increased during economic booms and declined during economic downturns. The declines of recent years have been offset due to legislative changes which brought new taxpayers into the base: financial institutions, telecommunications, and public service (electric and gas utility) companies. The inherent volatility of corporate income tax revenues makes them a relatively unstable source of revenue.

Comparison with Other States

Exhibit 5.3 compares Maryland's corporate income tax revenues with neighboring states.

Exhibit 5.3
Maryland Corporate Income Tax
Comparison to Selected States
Fiscal 1999

	Percentage of Total Taxes		Top	Per Capita		Percentage of Personal Income	
	Percent	Rank	Tax Rate	Amount	Rank	Percent	Rank
Maryland	*2.4%*	*41*	*7.0*	*$78*	*35*	*0.3%*	*39*
Delaware	9.4%	2	8.7	$308	4	1.1%	3
District of Columbia	7.3%	5	9.975	$419	1	1.1%	2
New Jersey	4.2%	19	9.0	$164	11	0.5%	17
North Carolina	4.5%	14	6.9	$120	18	0.5%	18
Pennsylvania	4.4%	18	9.99	$128	16	0.5%	20
Virginia	2.1%	44	6.0	$60	43	0.2%	45
West Virginia	6.1%	8	9.0	$146	14	0.7%	7
U.S. Average	**4.2%**			**$124**		**0.5%**	

Note: For the rankings, 1 indicates the highest. Rankings are out of 47.

Source: *Government Finances, 1998-99*, U.S. Census Bureau (September 2001); *Multistate Corporate Income Tax Guide*, CCH Incorporated

History of Major Changes

1937 – Corporate income tax enacted.
– Tax rate of 0.5 percent.

1939 – Tax rate changed to 1.5 percent.

1948 – Tax rate changed to 4 percent.

1955 – Tax rate changed to 4.5 percent.

1956 – Additional tax of 0.5 percent imposed for Maryland Port Authority Fund (effective July 1, 1956).

1967 – Adopted federal taxable income as Maryland taxable income base, with required addition and subtraction modifications.
– Additional tax imposed for Maryland Port Authority Fund increased to 0.75 percent (effective July 1, 1967).

1968 – Base tax rate changed to 6.25 percent, making the total tax rate 7 percent (including that attributable to the Maryland Port Authority Fund).
– State portion of personal property tax made an addition modification and tax credit.

1975 – Net operating loss deduction and adjustment for 50 percent of net long-term capital gain deleted as subtraction modification.

1976 – Dividend and nonbusiness interest income deleted as a subtraction modification.

1977 – Small business corporations (Subchapter "S") exempted from corporate income tax.
– Foreign "grossed up" dividends made a subtraction modification.
– Estimated tax payments required quarterly.

1978 – Dividends received from certain domestic international sales corporations made a subtraction modification.

1979 – Profits realized from the sale or exchange of bonds issued by Maryland or its political subdivisions and dividends received from a foreign corporation in which the taxpayer owned 50 percent or more of the outstanding shares are made subtraction modifications.

1982 – Required taxation of unrelated business income of tax-exempt organizations.
– Interest and dividends on any state or local obligations (other than Maryland and its subdivisions) or federal tax-exempt obligations made addition modifications.
– Enterprise zone credit enacted.

1983 – Personal property made exempt from the State property tax, with the rate set at zero, and the corresponding credit against the income tax made inapplicable.

1984 – Statute revised to delete provisions for direct allocation and to apportion all income.

1989 – "S" corporation income subject to federal corporate income tax also made subject to Maryland corporate income tax.
– Net operating loss modification enacted as an addition modification.

1991 – Income tax withholding requirement imposed on income earned by nonresident shareholders of "S" corporations conducting business in Maryland and by nonresident partners of partnerships conducting business in Maryland.

1992 – Income earned in providing interstate long-distance telecommunications service becomes subject to corporate income tax.
– Three-factor apportionment formula changed to double-weight receipts relative to property and payroll.

1995 – Commercial banks, savings banks, trust companies, and companies that substantially compete with national banks in the State shifted from the financial institution franchise tax to the corporate income tax, fully effective January 1, 1998.

1997 – Income of local telephone companies becomes subject to corporate income tax.

1999 – Electric and gas utilities become subject to corporate income tax and subtraction modification for income subject to franchise tax is repealed.

2000 – Financial institutions franchise tax and savings and loan franchise tax repealed, making financial institutions subject to the corporation income tax.

2001 – Single factor (receipts) allocation formula for manufacturing enacted.

2002 – Maryland income tax is decoupled from the special depreciation and net operation loss provisions of the federal Job Creation and Worker Assistance Act of 2002.

Sections of the Maryland Annotated Code

Tax – General Article, Titles 2, 10, and 13

Financial Institution Franchise Tax

The financial institution franchise tax was repealed for all tax years beginning after December 31, 2000, with financial institution income subject to corporate income taxes after that date.

History of Major Changes

Franchise Tax on Financial Institutions (Other Than Savings Institutions)

1968 – Tax rate set at 7 percent of net income (previously the tax was based on deposits).

1987 – Estimated tax payments required for savings banks and savings and loan associations.

1988 – Tax recodified as Financial Institutions Franchise Tax.

1989 – Addition modification enacted to prevent the multiple use of net operating losses.

1992 – Quarterly estimated tax payments instituted.
– Tax payments of over $20,000 may be required to be made via electronic funds transfer.

1995 – Certain financial institutions such as commercial banks and savings banks are not subject to the franchise tax effective January 1, 1998.

1996 – Deduction for tax-exempt interest expense phased out, and deduction for income from non-Maryland state and local bonds disallowed.

2000 – Franchise tax on financial institutions repealed, and personal property of savings and loan institutions becomes subject to property tax.

Franchise Tax on Savings Institutions

1953 – Tax changed from one-quarter of 1 percent on mutual savings banks to $.22 per $100 on monies deposited as of December 31.

1957 – Rate gradually decreased to $.10 per $100 of deposits as of January 1, 1957.

1965 – Tax replaced by a tax of three-quarters of 1 percent on "net earnings" over $100,000 (net earnings was defined as being similar to gross receipts). Local governments prohibited from levying any tax (other than on property) on these associations.

1982 – Maximum tax payable frozen at the 1981 level for the period January 1, 1982 to December 31, 1983.

1983 – Converted tax over a three-year period to 7 percent of net earnings (comparable to the tax on financial institutions).

1984 – Administrative responsibility for tax transferred to the Department of Assessments and Taxation from the Income Tax Division, Comptroller of the Treasury.

1988 – Tax recodified as "Financial Institutions Franchise Tax."

1992 – County share of savings and loan tax revenues abolished.

1995 – Certain financial institutions, such as commercial banks and savings banks, are not subject to the franchise tax effective January 1, 1998.

1996 – Deduction for tax-exempt interest expense phased out, and deduction for income from non-Maryland state and local bonds disallowed.

2000 – Franchise tax on financial institutions repealed, and personal property of savings and loan institutions becomes subject to property tax.

Savings and Loan Association Franchise Tax

The savings and loan association franchise tax was repealed for all tax years beginning after December 31, 2000, with savings and loan association income subject to corporate income taxes after that date.

History of Major Changes

1961 – Franchise tax first imposed to support the cost of regulation at rate of .0001 of the total withdrawal value of deposits held in the State.

1964 – Rate increased to .000175.

1966 – Rate decreased to .000150.

1967 – Rate decreased to .000130.

2000 – Savings and loan association franchise tax repealed, and personal property of savings and loan associations becomes subject to property tax.

Public Service Company Franchise Tax

Taxpayer

Persons engaged in a telephone business in Maryland or the delivery, transmission, or distribution of electricity or natural gas in Maryland must pay the public service company franchise tax.

Tax Base

The tax has two components with different bases. The first component is the tax imposed on gross receipts. Gross receipts are defined as the total operating revenues of the public service companies, excluding revenue derived from an activity other than a telephone, electric, or natural gas business. Gross receipts do not include uncollectible revenue, receipts from a service or product resold by another public service company that is subject to the tax, or gross receipts from the sale of electricity or natural gas.

The second component is a tax on distribution. The tax base is the kilowatt-hours of electricity or therms of natural gas delivered to the consumer.

Valuation of Base

The value is stated in reports filed annually on or before March 15 with the Department of Assessments and Taxation.

Tax Rate

The rate for the gross receipts component is 2 percent of gross revenues. For the distribution component, the tax is 0.062 cents per kilowatt-hour for electricity delivered for final consumption and 0.402 cents per therm for natural gas delivered for final consumption.

Special Provisions

Exemptions

The gross receipts component of the tax does not apply to a public service company that is a county, municipal corporation, or nonprofit electric cooperative. Counties and municipal corporations are exempt from the distribution component of the tax with respect to natural gas only.

Allocation of Gross Receipts

The tax is applied to gross receipts derived from business in Maryland. The income of interstate telephone carriers is apportioned based on the location to which the service is charged.

Tax Credits

Major credits allowed against the tax include:

- estimated tax payments;
- tariff charges for telephone lifeline services not billed to eligible subscribers;
- $3 for each ton of Maryland-mined coal purchased;
- taxes paid on services taxed in another state by a long-distance telecommunications company;

- certain wages and child care and transportation expenses for qualified employees who had been receiving welfare payments or who have disabilities;
- certain wages paid for new jobs created in the State;
- employer provided long-term care insurance; and
- wages paid under an approved work-based learning program.

Electricity and natural gas providers are also permitted a credit for electricity or gas delivered to industrial customers for production activities. This credit must be passed on to the industrial customers in the form of lower rates. For electricity, the credit is 0.002 cents per kilowatt-hour in excess of 500 million but less than 1,500 million kilowatt hours during a calendar year delivered to a single industrial consumer at the same location for use in a production activity. For more than 1,500 million kilowatt hours delivered, the credit rate is 0.0455 cents per kilowatt-hour. The credit for natural gas equals the tax imposed, so industrial consumers of natural gas are effectively exempted from the distribution tax for natural gas delivered for use in a production activity.

Payment Dates

An estimated payment of 25 percent of the anticipated tax for the full year for both components (gross receipts and distribution) must be paid to the Department of Assessments and Taxation by April 1, June 15, September 15, and December 15 of the current year. The final tax return for the preceding calendar year is due to the department by March 15, along with any final payment.

Administration of Tax

The Department of Assessments and Taxation's total administrative budget for its Business Property Valuation Program, which has responsibility for administering this tax and others, is $2.7 million in fiscal 2003.

Fines, Penalties, and Interest

Failure to pay tax when due – interest assessed at a rate of 3 percent above prime, but not less than 13 percent, as determined by State law; penalty not to exceed 10 percent of unpaid tax.

Estimated tax payment is less than 25 percent of the required tax due – interest assessed at a rate of 3 percent above prime, but not less than 13 percent, as determined by State law; penalty not to exceed 25 percent of unpaid tax.

Additional tax due – not more than 25 percent of unpaid tax.

Fraudulent return – an additional 100 percent of the underpayment.

Local Taxing Authority

Subdivisions do not have the authority to levy a gross receipts tax, although several have been granted authority to levy a sales tax on sales of selected public service corporations.

Revenues

Exhibit 5.4
Public Service Company Franchise Tax Revenues
Fiscal 1975 – 2003
($ in Millions)

Fiscal Year	Net Revenues[1]	% Change[2]
1975	$ 33.3	---
1980	59.3	12.2
1985	86.3	7.8
1990	112.4	5.4
1995	142.3	5.3
1996	135.0	(5.1)
1997	145.6	7.9
1998	146.5	3.1
1999	153.0	0.6
2000	153.9	0.6
2001	144.0	(6.4)
2002 (est.)	148.5	3.1
2003 (est.)	154.9	4.3

[1] Net of refunds.
[2] For 1980, 1985, 1990, and 1995, figures reflect average annual change.

Source: Board of Revenue Estimates; Department of Legislative Services

Distribution of Revenues

The revenues are distributed to the general fund.

Trends

Annual growth of around 2 percent is expected to continue for the next several years.

History of Major Changes

1972 – Gross receipts tax enacted.

1980 – Eliminated 2 percent gross receipts tax on railroads in lieu of State property tax.

1988 – Department of Assessments and Taxation given full responsibility for administering the tax. Formerly, administration had been shared with the Comptroller of the Treasury.
– Tax recodified as the "Public Service Company Franchise Tax." Formerly, the tax was the "Gross Receipts Franchise Tax."

1992 – Method of apportioning interstate revenues for telephone companies altered and codified.
– Quarterly estimated tax payments instituted.
– Tax payments in excess of $20,000 may be required to be made via electronic funds transfer.

1997 – Telecommunications companies required to disclose the tax as a line item on the telephone bill.
– Revenues from Internet access service exempted from the tax.

1999 – Taxation of electric and gas utilities changed to current structure of franchise tax on distribution with proceeds of sales of electricity and gas subject to the corporate income tax. Previously, the franchise tax was on gross receipts from the sale and distribution of electricity and natural gas.

Sections of the Maryland Annotated Code

Tax – General Article, Titles 2, 8, and 13

Legislative Handbook Series Cross-reference

Maryland Local Government: Revenues and State Aid, Volume VII

Insurance Premium Tax

Taxpayer

Each authorized domestic insurance company and surplus lines broker or unauthorized foreign or alien insurance company that sells, or an individual who independently procures, any type of insurance coverage upon a risk that is located in the State must pay the insurance premium tax.

Authorized insurers are those insurance companies licensed to engage in the insurance business in Maryland. Unauthorized insurers are those insurance companies not licensed to engage in the insurance business in Maryland. The majority of unauthorized insurers that are allowed to operate in the State offer specialty insurance (such as hurricane insurance) not offered by any authorized insurer in the State.

Tax Base

The tax base is the taxpayer's gross premiums less exclusions specified by law, which yield net premiums.

Valuation of Base

Value is determined by the net value of premiums reported in a calendar year to the Insurance Commissioner and is subject to audit.

Tax Rates

Authorized Insurers

A tax rate of 2 percent is imposed on all authorized classes of new or renewal net direct insurance policy premiums written by insurance companies.

A retaliatory tax is imposed on insurers whose state of charter requires the payment of a higher rate than that levied by Maryland.

Unauthorized Insurers

A tax rate of 3 percent is imposed on all authorized classes of new or renewal insurance policy gross premiums, less any returned premiums charged, placed by licensed surplus lines brokers and unauthorized insurance companies. The insured pays this tax (in addition to the premium) to the surplus lines broker or directly to the Insurance Commissioner.

Special Provisions

Exclusions from Gross Premiums

- premiums on policies covering weekly disability benefit payments
- credits on premiums for industrial insurers for payments made to home/branch offices
- annuities (taxed at 0 percent rate)
- returned premiums, not including surrender values
- dividends to policyholders
- returns or refunds due to retrospective ratings or safe driver awards
- premiums received by an insurer under policies providing health maintenance organization (HMO) benefits to the extent paid to a nonprofit HMO or paid by an exempt HMO

Exemptions

Estimated, gross direct premium, and deposit tax – Authorized insurers:

- nonprofit hospital service plan corporations
- fraternal benefit societies

- health maintenance organizations, under certain circumstances

Premium receipt tax – Unauthorized insurers:

- life and health insurance in effect on July 1, 1968
- annuities
- reinsurance
- wet marine insurance
- transportation insurance
- insurance on subjects located, resident, or to be performed wholly outside of this State
- insurance on vehicles or aircraft owned and principally garaged outside of this State
- insurance on property or operation of railroads engaged in interstate commerce
- insurance of certain aircraft arising out of the ownership, maintenance, or use of such aircraft
- insurance against legal liability arising out of the ownership, operation, or maintenance of any property having a permanent situs outside of this State
- insurance against the perils of navigation, transit, or transportation upon certain shipowner's interest

Allocation

Gross direct premiums are allocated on the basis of the portion derived from or reasonably attributable to insurance business conducted in Maryland by the company.

Tax Credits

The following credits may be claimed against the premium tax:

- certain wages and child care and transportation expenses for qualified employees who had been receiving welfare payments or who have disabilities;
- certain wages paid for new jobs created in the State;
- neighborhood and community assistance programs;
- heritage structure rehabilitation;
- employer provided long-term care insurance;
- certain wages paid for work-based learning programs;
- employer provided commuter benefits; and
- One-Maryland economic development start-up costs.

Every life insurance company domiciled in Maryland is authorized a credit not to exceed 15 percent of the total tax for any fees paid to the Insurance Commissioner for valuing life insurance policies.

Surplus lines brokers are allowed a credit against taxes for any costs, paid or charged, of an examination of their records and operations.

Payment Dates

Authorized Insurers

Every authorized insurance company subject to taxation is required to report a declaration of its estimated tax if its total tax for the calendar year reasonably may be expected to exceed $1,000. An initial declaration of estimated tax is due on or before April 15, and quarterly estimated tax reports are due on or before June 15, September 15, and December 15. The quarterly payments must include at least 25 percent of the estimated annual tax.

The total amount of actual taxes shall be paid with the reports filed with the Insurance Commissioner by each March 15, after crediting the amount of tax paid with the declaration of estimated tax.

Unauthorized Insurers

The tax collected is due to the Insurance Commissioner semiannually by March 15 and September 15.

Insureds, unauthorized insurers, industrial insurers, and self-insureds who procure insurance coverage directly with an unauthorized insurer are required to report within 60 days and pay the 3 percent tax to the Insurance Commissioner by March 1 succeeding the calendar year in which the insurance was procured.

Licensed Maryland surplus lines brokers are required to submit an affidavit that supports each policy transaction within 45 days after the last day of the month in which the business was placed. Placing is defined as the effective date of the policy that becomes binding on the authorized insurance company.

Administration of Tax

The cost of administering the tax is not specifically identified in the budget of the Insurance Administration but is part of the total appropriation for the examining and auditing program within the Insurance Administration, which has an appropriation of $21.3 million for fiscal 2003.

Fines, Penalties, and Interest

Underpayments of the tax – penalty of 5 percent plus interest assessed at a rate of 3 percent above the prime rate, but not less than 13 percent, as determined by State law.

Additional tax due – interest assessed at a 6 percent annual rate.

Failure to file – taxes can be assessed at up to twice the amount estimated to be due and become final within 15 days after mailing the assessment notice.

Fraudulent returns – an additional 100 percent of the underpayment.

Local Taxing Authority

A county or city is prohibited from imposing any taxes upon any insurance company subject to the insurance premium taxation under Maryland law, except taxes on real estate and tangible personal property.

Revenues

Exhibit 5.5
Maryland Insurance Premium Tax Revenues
Fiscal 1975 – 2003
($ in Millions)

Fiscal Year	Net Revenues[1]	% Change[2]
1975	$ 30.8	---
1980	56.2	12.8
1985	82.2	7.9
1990	145.9	12.2
1995	156.5	1.4
1996	165.8	5.9
1997	165.8	0.0
1998	172.7	4.2
1999	177.8	2.9
2000	172.5	(3.0)
2001	190.4	10.4
2002 (est.)	192.7	1.2
2003 (est.)	197.1	2.3

[1] Net of refunds; reflects cash collections for the fiscal year.
[2] For 1980, 1985, 1990, and 1995, figures reflect average annual change.

Source: Board of Revenue Estimates; Department of Legislative Services

Distribution of Revenues

Revenues are distributed to the general fund.

Trends

Insurance premium tax revenues are expected to increase in the future due to premium increases associated with industry losses resulting from the September 11, 2001, terrorist attacks and financial investment losses.

History of Major Changes

1941 – Established principal tax on domestic and foreign insurance companies, which was levied on new and renewal gross direct premiums.

1963 – Laws relating to insurance and its regulation were revised and recodified.
– Rate on certain insurers procuring insurance from authorized insurers lowered to a 3 percent premium tax.

1966 – Tax rate on premiums from annuities reduced and then eliminated.

1968 – Modifications to 3 percent premiums tax: applied to insurers on certain unauthorized insurance on risks located in Maryland and applied to insurers upon the obligation (represented by premium) for certain unauthorized insurance on risks located in Maryland.

1976 – Required estimated tax payments.

1984 – Repealed tax on perpetual fire insurance policies.

Sections of the Maryland Annotated Code

Insurance Article, Title 3, Subtitle 3 (surplus lines brokers), Title 4, Subtitle 2 (unauthorized insurers), and Title 6

Legislative Handbook Series Cross-reference

Business Regulation in Maryland, Volume VIII

Unemployment Insurance Contribution Tax

Taxpayer

All employers – an individual or employing unit that employs one or more individuals for some portion of a day – are responsible for paying unemployment insurance taxes for their employees. Special employment and liability requirements apply to certain types of employers described below.

Agricultural employers are subject to the tax if they: (1) paid cash remuneration of $20,000 or more during any calendar quarter of the current or preceding year to individuals performing agricultural labor; or (2) employed at any time ten or more individuals for a portion of a day in any 20 weeks in the current or preceding calendar year.

Domestic employers are subject to the tax if they paid $1,000 to an individual or individuals performing domestic service during any calendar quarter of the current or preceding tax year.

Not-for-profit organizations that qualify under Section 501(c)(3) of the Internal Revenue Code and governmental entities may elect to reimburse the Maryland Unemployment Insurance Trust Fund, on a dollar-for-dollar basis, for benefits paid to former employees in lieu of paying the tax. However, nongovernmental reimbursable employers must post collateral equal to 2.7 or 5.4 percent of taxable wages.

Tax Base

The tax base is the first $8,500 of wages paid to each employee during a calendar year. This base is multiplied by the rate assigned to each employer's account.

Valuation of Base

The employer reports both the taxable and total wages in the quarterly contribution return that is subject to audit.

Tax Rates

Maryland employers are assigned one of three different types of tax rates.

New Account Rate

If an employer does not qualify for an earned rate (see below) because of the amount of time that the company has been in business, that employer will be assigned a rate that is equal to the average employer rate for Maryland employers in the same industry category.

Earned (Experience) Rate

An employer qualifies for an earned rate after paying employee wages in two calendar years. The rate is based on the employer's experience paying wages that is

expressed in terms of an experience rating. The experience rating is a benefit ratio calculated by dividing all chargeable unemployment insurance benefits paid to former employees during the prior three calendar years by the total taxable payroll for that employer during the same period.

The experience rating is applied to a "table of basic rates" to determine the tax rate. The minimum basic rate is 0.3 percent, and the maximum basic rate is 7.5 percent.

Standard Rate

If an employer is eligible for an earned rate, but has no taxable payrolls for the previous year or fails to file quarterly tax and wage reports, the employer will be assigned the standard rate which is the maximum earned rate in effect for that year.

Special Provisions

Unemployment Insurance Fund

This fund is established as a special fund in the United States Treasury (separate and apart from all public monies or funds of this State) and made up of contributions paid by employers and interest earned. The fund is for the sole purpose of paying benefits to workers who are unemployed through no fault of their own.

Surcharge

A surcharge is added to the basic rate when the ratio of the trust fund balance to total taxable wages falls below 4.7 percent. This calculation takes place on September 30 of each year. The surcharge schedule contains 20 steps and ranges from 0.1 to 2.0 percent.

If the ratio of the trust fund balance to total taxable wages exceeds 5.5 percent on September 30, rates decrease from 0.1 to 2.0 percent depending on the ratio.

Maryland law provides for a maximum rate that can be assigned when the surcharge is in effect. The maximum assignable rate is 9.5 percent, representing the 7.5 percent standard rate and the 2.0 percent maximum surcharge.

Fund Balance

The term "fund balance" means the total amount available for benefits in the Maryland Unemployment Insurance Fund.

Adjustments and Refunds

An employer can file a request for an adjustment or refund of contributions that may have been paid in error. No refund or adjustment can be allowed unless an application is made by the later of the following dates: (1) one year from the date on which the payment was made; or (2) three years from the last day of the calendar quarter for which the payment was made. Any refund or adjustment will be reduced if erroneously reported wages were used in determining former employees' eligibility for and payment of unemployment insurance benefits.

Federal Unemployment Tax Rate

The federal unemployment tax rate is 6.2 percent on a $7,000 wage base. However, employers who have paid all State taxes due receive a credit of 5.4 percent, resulting in an effective federal tax rate of 0.9 percent or $56 per employee per year.

Payment Dates

All employers are sent a tax and wage report at the end of each calendar quarter that is due one month following the end of that quarter. These due dates are April 30, July 31, October 31, and January 31. Taxpaying employers remit the appropriate amount due by the quarterly due date. Large employers must, and other employers may, submit these reports on magnetic tape.

Reimbursing employers file the tax wage report amount without payment. They are billed at the end of each calendar quarter for any unemployment insurance benefits that may be charged to their account.

Administration of Tax

The Office of Unemployment Insurance within the Department of Labor, Licensing, and Regulation, Division of Employment and Training, administers the unemployment insurance program. The office is responsible for the proper collection of all unemployment insurance taxes and pays unemployment insurance benefits to eligible individuals through 27 offices located throughout Maryland. The United States Treasury maintains the Unemployment Insurance Fund.

The Office of Unemployment Insurance is entirely federally funded from employers' federal unemployment insurance taxes. For fiscal 2003, the State budget anticipates a federal appropriation of approximately $44.9 million.

Fines, Penalties, and Interest

Interest charges are assessed at a rate of 1.5 percent per month (or fraction) for late payments.

A penalty assessment of $35 is made for each quarterly contribution report filed late.

A penalty assessment of $15 is made for each Request for Separation Information form filed late.

Collections of interest, penalties, and fines are deposited in a special fund known as the Special Administrative Expense Fund in the State Treasury. Any monies in the fund are appropriated through the regular State appropriation process. On July 1 all monies in this fund in excess of $250,000 must be paid into the general fund.

Local Taxing Authority

None.

Revenues

See Exhibit 5.6

Distribution of Revenues

All contributions, exclusive of penalties and interest, collected by the Department of Labor, Licensing, and Regulation are deposited with the U.S. Treasury. The sole purpose of the Maryland unemployment insurance tax is to pay unemployment insurance benefits to unemployed workers. There is no distribution to local governments.

Exhibit 5.6
Maryland Unemployment Insurance Contribution
Tax Revenues and Benefit Payments
Fiscal 1990 – 2002
($ in Millions)

Fiscal Year	Fund Collections	Benefits Paid[1]	Fund Balance[2]
1990	$148.2	$217.4	$593.0
1991	136.7	409.0	546.0
1992[3]	315.1	495.2	270.7
1993[4]	393.7	395.0	172.0
1994[5]	439.9	364.0	221.7
1995	480.0	331.0	386.9
1996	418.0	368.6	587.5
1997	333.4	333.9	672.8
1998	289.5	326.5	716.5
1999	283.7	295.1	741.6
2000	284.8	277.5	816.1
2001	270.1	313.2	867.6
2002	251.5	475.4	832.1

[1] Includes only regular State unemployment benefits.
[2] Balance in the Maryland Unemployment Insurance Fund as calculated on September 30 following each fiscal year.
[3] A 1.7 percent surcharge was imposed on July 1, 1991. This was increased to 2.2 percent on October 1, 1991.
[4] The 2.2 percent surcharge remained in effect until December 31, 1992, when it was reduced to 1.7 percent. The taxable wage base increased from $7,000 to $8,500, effective January 1, 1993.
[5] Includes a 1.7 percent surcharge.

Source: Department of Labor, Licensing, and Regulation, Office of Unemployment Insurance

History of Major Changes

1936 – Unemployment Insurance Law enacted.
– Tax rate established as 2.7 percent of covered wages.

1943 – Experience rating introduced – tax range 0.9 to 2.7 percent.

1947 – Minimum tax rate reduced – range 0.3 to 2.7 percent.

1953 – Escalator clause on tax rates added – rates vary with the level of the reserve fund.

1959 – Surtax on employer tax rates added.

1960 – Basic tax revision increased most rates by 0.6 percent – range 0.3 to 3.6 percent plus an adjustment factor for a new minimum rate of 4.2 percent.

1964 – Basic tax rates reduced 0.3 percent – range 0.0 to 4.2 percent plus noncharged benefit factor.

1969 – Eliminated the noncharged benefit adjustment factor on employer tax rates and substituted a 0.1 percent minimum tax rate in all schedules.

1971 – Coverage extended to nonprofit organizations and to State hospitals and State institutions of higher education and provided an optional method of paying benefits costs in lieu of taxes.
– Increased the taxable wage base to $4,200 for each employee.

1977 – Coverage extended to certain agricultural labor, domestic service, governmental entities, and nonprofit groups.
– Increased the taxable wage per employee to $6,000.

1978 – Maximum tax rate increased from 3.6 to 5.0 percent.
– Penalty tax rate changed from 4.2 to 2.0 percent above the assigned tax rate.

1980 – Maximum surcharge tax rate increased from 5.0 to 6.0 percent.

1981 – Eliminated 2.0 percent penalty rate adjustment and added $35 penalty for failure to file reports timely, and also increased from 1.0 to 1.5 percent the monthly interest rate on overdue contributions.

1983 – Taxable wage base increased to $7,000 for each employee.

1984 – Increased the standard employer tax rate and maximum basic employer tax rate from 5.0 to 5.4 percent.
– Sick pay benefits to be treated as wages and taxable for unemployment insurance.

1988 – Eliminated charging benefits to taxpaying employers for the separation reason of gross misconduct.
– Increased collateral requirements for reimbursing nonprofit employers with more than 25 employees to 5.4 percent of the prior year's taxable wages.

1990 – Imposed new employer tax rate on out-of-state contractors based on average of rates paid by Maryland employers in certain industries.
– Increased the standard employer tax rate and maximum basic employer tax rate from 5.4 to 6.0 percent on July 1, 1990.
– Increased the standard employer tax rate and maximum basic employer tax rate from 6.0 to 6.5 percent on July 1, 1991.
– Decreased the maximum assignable surtax from 2.7 to 1.7 percent on July 1, 1990.
– Increased the maximum assignable rate from 6.0 to 7.6 percent on July 1, 1990.

1991 – Moved computation date for trust fund solvency from May 31 to September 30.
– Increased standard employer tax rate and the maximum basic employer rate from 6.0 to 6.5 percent.
– Maryland Unemployment Insurance Law recodified.

1992 – Exempted from the definition of wages any payment to employees of cafeteria plan benefits and employees' dependent care assistance benefits to comply with federal law.
– Taxable wage base increased from $7,000 to $8,500 per employee.
– Standard (maximum earned) rate increased from 6.5 to 7.0 percent. Continuing increases of 0.1 percent annually until the rate reaches 7.5 percent in 1998 were enacted.
– Maximum rate assignable in a surcharge situation increased from 7.6 to 8.1 percent and enacted the phasing out of the cap by 1998.
– Altered the ratio of the trust fund balance to taxable wages at which the surcharge will be triggered from 4.5 to 4.7 percent. Maximum surcharge rate reduced from 2.7 to 2.0 percent.
– Each division on the schedule of basic rates increased by 0.2 percent, making the minimum 0.3 percent.

1993 – All employer charges prorated based proportionally on the wages paid by each of a worker's employers. Formerly, if one employer was responsible for 75 percent of the wages used to determine

eligibility, 100 percent of the charges were allocated to that employer.

1994 – Surcharge capped at 1.7 percent for calendar 1994 and 1995. The surcharge was originally to be 1.9 percent in 1994 and 2.0 percent in 1995.

1995 – In conjunction with federal law changes, a self-employment assistance program was begun to allow unemployed persons to continue to receive benefits while establishing their own business

– The Office of Unemployment Insurance within the Division of Employment and Training moved from the Department of Economic and Employment Development to the Department of Labor, Licensing, and Regulation.

Sections of the Maryland Annotated Code

Labor and Employment Article, Title 8

Legislative Handbook Series Cross-reference

Business Regulation in Maryland, Volume VIII

Corporate Recording, Filing, and Organization and Capitalization Fees

Description of Fees

Maryland collects fees for a variety of corporate documents recorded by and filed with the Department of Assessments and Taxation. These documents include articles of incorporation, charter amendments, and corporate name changes.

The department also collects an organization and capitalization fee from Maryland corporations. This fee is based on the aggregate par value of a corporation's capital stock at the time of incorporation. If a corporation increases the par value of its capital stock through a new organization, a merger, or a consolidation, a fee is imposed on the increase in value.

Fee Schedules

The fee schedules for corporate recording and filing fees are set forth in the Corporations and Associations Article of the Annotated Code of Maryland. Fees range from $10 for notice type documents to $20 for articles of incorporation and other corporate charter documents to $100 for annual report filings.

The Corporations and Associations Article also includes a schedule for the organization and capitalization fee as set forth in Exhibit 5.7.

Exhibit 5.7
Corporate Organization and Capitalization Fees

Aggregate Par Value of Capital Stock	Fee
Not over $100,000	$20
Over $100,000 but not over $1,000,000	$20 plus $1 for each $5,000 or fraction in excess of $100,000
Over $1,000,000 but not over $2,000,000	$200 plus $10 for each $100,000 or fraction in excess of $1,000,000
Over $2,000,000 but not over $5,000,000	$300 plus $15 for each $500,000 or fraction in excess of $2,000,000
Over $5,000,000	$390 plus $20 for each $1,000,000 or fraction in excess of $5,000,000

Source: Annotated Code of Maryland, Corporations and Associations Article, § 1-204

Administration

These fees are administered by the Department of Assessments and Taxation.

Revenues

See Exhibit 5.8

Distribution of Revenues

All recording, filing, and organization and capitalization fees are credited to the general fund.

Exhibit 5.8
Corporate Recording, Filing, and Organization and Capitalization Fee Revenues
Fiscal 1975 – 2002

Fiscal Year	Corporation Recording Fee[1]	Corporation Filing Fee[2]	Total Recording & Filing Fees	Organization & Capitalization Fees	Total Corporate Fees
1975	$ 177,797	$ 1,800,385	$ 1,978,182	$170,191	$ 2,148,373
1980	349,036	2,196,740	2,545,776	348,209	2,893,985
1985	531,766	3,147,571	3,679,337	428,862	4,108,199
1990	2,049,210	7,133,341	9,182,551	481,356	9,663,907
1995	2,735,940	11,699,140	14,435,080	594,286	15,029,366
1996	2,894,771	11,871,375	14,766,146	602,430	15,368,576
1997	3,211,414	13,085,550	16,296,964	588,124	16,885,088
1998	3,709,572	12,636,675	16,346,247	631,001	16,977,248
1999	3,508,018	11,212,947	14,720,965	607,738	15,328,703
2000	3,302,114	13,537,808	16,839,922	560,443	17,400,365
2001	3,304,565	14,199,066	17,503,631	454,763	17,958,394
2002	3,433,008	13,748,060	17,181,068	457,034	17,638,102

[1] Includes foreign and domestic corporation recordation fees.
[2] Includes foreign and domestic corporation filing fees.

Source: Department of Assessments and Taxation

Sections of the Maryland Annotated Code

Corporations and Associations Article, Sections 1-201 through 1-204

Chapter 6. Property Taxes

Real Property Tax

Taxpayer

Owners of real property (land and improvements) located in Maryland are real property taxpayers.

Tax Base

The tax base for a given fiscal year is the total assessed value of all real property subject to the property tax as of the first of January (the date of finality) immediately preceding the first day of a fiscal year. New construction substantially completed as of July 1 of the fiscal year is taxed for the full year and new construction substantially completed as of January 1 of the fiscal year is taxed for a half-year. Exhibit 6.1 provides a historical summary of the real property assessable base.

Valuation of Base

Each year the Department of Assessments and Taxation values one-third of all real property based on a physical inspection prior to the date of finality. Over a three-year period all properties in the State are appraised based on a physical inspection.

Any increase in the full cash value (market value) is phased in equally over the next three years. All property is assessed at 100 percent of full cash value.

The assessable base for all property by subdivision for fiscal 2002 is shown in Exhibit 6.2.

Tax Rates

The State tax rate for fiscal 2003 is 8.4 cents per $100 of assessable property. The rate is established by the Board of Public Works, which is required by law to calculate the rate necessary to support debt service on general obligation bonds by May 1 of each year after taking into account the funds available from other sources for debt service. The rate is applied to the State assessable base. See Exhibit 6.1 for a historical summary of the State tax rates.

Exhibit 6.1
State Property Tax Assessable Base and State Property Tax Revenues
Fiscal 1980 – 2003
($ in Millions)

Fiscal Year	State Tax Rate[1]	Real Property[2]	Corporate & Local Personal Property	Public Utilities & Railroads[3]	Public Utilities Personal Property	Total State Property Tax Revenues	% Change[4]
1980	.20	$ 30,589	$ 7,300	$2,300	$2,000	$ 83.2	---
1985[5]	.21/0	44,818	10,400	2,900	2,500	100.7	3.9
1990	.21/0	72,529	16,300	3,800	3,400	161.5	9.9
1995	.21/0	102,544	20,392	4,467	4,900	224.5	6.8
1996	.21/0	105,205	19,829	4,938	5,520	225.3	0.4
1997	.21/0	107,206	20,634	5,323	5,928	235.6	4.6
1998	.21/0	109,923	23,893	5,457	6,021	240.7	2.2
1999[6]	.21/0	111,875	24,478	4,367	7,179	242.2	0.6
2000	.21/0	115,923	24,067	4,204	7,866	252.0	4.0
2001[7]	.21	120,236	---	2,197	---	257.1	2.0
2002[8]	.084/.21	314,931	---	2,312	---	269.7	4.7
2003	.084/.21	332,085	---	2,277	---	283.2 (est.)	5.0

[1] State tax rate applicable to assessable base.
[2] Represents real property assessable base as of July 1 of the tax year, but excludes real property not previously assessed by January 1 of the tax year.
[3] Public utilities and railroads operating property assessable base.
[4] For 1985, 1990, and 1995, figures reflect average annual change.
[5] Effective 1985, the State tax rate for personal property was set at zero. Average annual percentage change for 1980-85 reflects a 15.4% decline in revenues between 1984 and 1985.
[6] Fiscal 1999 and later utility figures reflect the reclassification of poles, lines, towers, and cables owned by telephone companies from real property to personal property.
[7] All personal property is exempt from the State property tax for tax years beginning on or after July 1, 2000. Fiscal 2001 and later utility figures reflect the reclassification of poles, lines, towers, and cables owned by electric utilities from real property to personal property.
[8] For fiscal 2002 and later, figures reflect the change in assessment level from 40% to 100% of full cash value for real property. The State tax rate for public utility operating property remains as .21.

Source: Department of Assessments and Taxation; Bureau of Revenue Estimates

Exhibit 6.2
State Estimated Assessable Base
Fiscal 2002
($ in Millions)

Counties	Real Property[1]	New Construction Real Property[2]	Operating Real Property Railroads	Operating Real Property Utilities	Totals
Allegany	$ 2,094.1	$ 5.3	$ 6.2	$ 28.5	$ 2,134.0
Anne Arundel	33,207.4	204.1	0.6	267.6	33,679.8
Baltimore City	17,021.1	37.3	88.0	233.5	17,380.0
Baltimore	41,358.4	151.4	7.4	254.3	41,771.5
Calvert	5,125.2	46.6	0.0	225.7	5,397.4
Caroline	1,228.5	5.8	0.0	8.1	1,242.2
Carroll	9,066.3	87.4	0.9	48.5	9,203.1
Cecil	4,598.9	31.5	4.4	39.3	4,674.0
Charles	7,206.0	59.0	0.5	36.9	7,302.4
Dorchester	1,427.4	6.1	0.0	7.9	1,441.3
Frederick	12,732.0	126.6	3.6	77.4	12,939.6
Garrett	1,796.2	13.8	0.0	36.7	1,847.2
Harford	11,881.6	99.9	0.9	125.7	12,108.1
Howard	20,230.1	185.4	9.1	96.4	20,520.9
Kent	1,341.9	5.0	0.0	7.9	1,354.8
Montgomery	77,402.9	479.2	4.2	330.5	78,216.7
Prince George's	38,553.6	186.5	6.4	212.9	38,959.4
Queen Anne's	3,235.9	36.2	0.0	14.1	3,286.1
St. Mary's	4,963.9	43.7	0.0	10.5	5,018.0
Somerset	659.1	2.0	1.1	6.5	668.7
Talbot	3,666.1	23.4	0.0	9.4	3,699.0
Washington	6,309.3	40.9	15.6	34.4	6,400.2
Wicomico	3,466.8	20.3	1.2	27.7	3,516.5
Worcester	6,358.0	53.2	0.5	21.5	6,509.7
Total	**$314,930.9**	**$1,950.3**	**$150.4**	**$2,161.9**	**$319,270.6**

[1] Assessable base before giving effect to any applicable tax credits. Includes new construction added for the full year levy (July 1) and land owned by railroads and utilities.
[2] Includes new construction added for partial year levy.

Source: Department of Assessments and Taxation

Local property tax rates are set annually by local governments and are applied to the county and municipal assessable bases. The county and municipal assessable bases represent the State assessable base less exemptions granted by local jurisdictions. For

additional information on local property taxes, see *Maryland Local Government: Revenues and State Aid*, Volume VII of the Legislative Handbook Series.

Special Provision

Exemptions

Generally, the law exempts types of real property from property taxation such as government-owned, charitable, benevolent, educational, churches, veterans' organizations, fire companies, historical societies, museums, etc. The Department of Assessments and Taxation is responsible for determining exemptions as specified by law. The department is required by law to assess all exempt real property, except that owned by the federal government.

See Exhibit 6.3 for a county-by-county analysis of the value of exempt property by class.

Special Use Assessments

Property that may qualify for special use assessments includes the following:

- Land devoted to agricultural use may be valued on the basis of that use. The use values are based on soil classifications relating to productivity identified by the Department of Agriculture.

- Woodland under a forest conservation management program with the Department of Natural Resources may qualify for a frozen assessment for at least 15 years.

- Country clubs and public golf courses may qualify for a special use assessment if they meet certain requirements of the law.

- Planned development land may be valued at agricultural use rates when it consists of at least 500 contiguous acres, is part of a master or regional plan, and the owner pays for required public facilities.

- Marshland may be valued at a rate equivalent to the lowest agricultural rate ($30/acre).

- Land subject to an open space easement may have its value adjusted by the effect of the easement on the land.

- Owner-occupied residential property that has been rezoned to a commercial or industrial classification, not at the owner's initiative, may be assessed based on its residential use.

Exhibit 6.3
Exempt Property: Amount of Assessable Base by Subdivision for Fiscal 2002
($ in Millions)

County	Federal	State	County and Municipal	Tax-exempt Organizations	Total Exempt
Allegany	$ 72.8	$ 247.7	$ 264.5	$ 283.3	$ 868.3
Anne Arundel	808.7	760.9	1,300.0	616.8	3,486.4
Baltimore City	476.5	1,489.8	3,271.3	2,806.2	8,043.8
Baltimore	383.2	1,132.1	1,767.1	1,919.4	5,201.8
Calvert	61.1	38.3	244.1	125.0	468.5
Caroline	2.0	17.8	72.0	50.1	141.9
Carroll	7.5	86.7	493.2	309.3	896.8
Cecil	108.3	63.3	203.2	187.4	562.2
Charles	725.9	49.2	322.6	119.1	1,216.9
Dorchester	8.4	29.3	101.0	72.4	211.1
Frederick	312.9	81.4	701.9	495.7	1,591.9
Garrett	4.4	70.0	102.7	48.0	225.1
Harford	867.5	59.9	551.2	321.5	1,800.1
Howard	64.5	411.4	937.1	396.6	1,809.6
Kent	9.3	13.9	59.0	101.0	183.1
Montgomery	2,177.6	512.3	4,211.4	2,102.2	9,003.6
Prince George's	1,804.7	1,055.1	1,772.3	927.5	5,559.7
Queen Anne's	2.0	60.7	141.9	63.0	267.7
St. Mary's	1,463.2	101.3	222.7	141.0	1,928.3
Somerset	2.3	152.1	51.9	47.0	253.2
Talbot	6.8	12.5	122.4	137.0	278.7
Washington	43.5	166.9	439.5	378.2	1,028.0
Wicomico	2.9	160.2	280.4	185.5	629.1
Worcester	53.4	68.2	204.2	72.6	398.4
Total	**$9,469.5**	**$6,841.3**	**$17,837.7**	**$11,828.0**	**$45,976.5**

Note: Reflects assessment at 100% of value of property. Exempt property is excluded from the assessable base figures for real property.

Source: Department of Assessments and Taxation

Assessment Appeals

The assessment appeal process typically begins with an appeal of the notice of assessment. These notices are mailed in late December. The appeal is due within 45 days of the date of the notice. The appeal is filed with the Supervisor of Assessments. Following that appeal, the property owner receives a final notice. The next appeal must be made to the Property Tax Assessment Appeals Board within 30 days from the date of the final notice. The next appeal may be taken to the Maryland Tax Court within 30 days of the notice from the board. Further appeals are through the judiciary system including the circuit court, the Court of Special Appeals, and the Court of Appeals.

Appeals of property values may also be filed with the supervisor out of the regular assessment cycle. Through a "petition for review," a taxpayer may request a new valuation based on the next January 1. Appeals may also be filed by persons who have purchased property from January 1 to June 30. Such appeals must be made within 60 days of the purchase.

Constant Yield Tax Rate Program

The "constant yield tax rate" is the rate that, when applied to the current base, yields the same local property tax revenues as in the prior year. When there is growth in the assessable base, the constant yield tax rate is lower than the existing tax rate. The department notifies all county and municipal corporations by each February 14 of their constant yield tax rate for the upcoming fiscal year.

Under the Constant Yield Tax Rate Program, taxing authorities are required to: (1) provide information about the constant yield tax rate and the assessable base to the public through advertisements in the local newspapers; and (2) hold public hearings regarding proposals to enact a tax rate that is higher than the constant yield rate. Municipalities are exempt under certain circumstances. The department is required to report to the Attorney General any taxing authority that appears to have violated the requirements of this law. Violating jurisdictions must reduce their property tax rates to the constant yield level.

Tax Credits

Statewide Mandatory Tax Credits

- *Homeowners' (Circuit Breaker) Tax Credit Program* – This is a State-funded program (i.e., the State reimburses local governments) providing credits against State and local real property taxation for homeowners who qualify based on a

sliding scale of property tax liability and income. The total State expenditure for fiscal 2002 is estimated to be $44.6 million. See Exhibit 6.4 for a summary of the number of credits granted, the total program cost, and the average credit for fiscal 2002. Since 1992 the counties and municipalities have had the authority to enact local supplements to the homeowners' circuit breaker credit. The cost of such supplemental credits must be borne by the local governments.

- *Renters' (Circuit Breaker) Tax Credit Program* – This is a State-funded program (i.e., the State makes payments for the amounts of the "credits" directly to recipients) for renters to provide relief from the burden attributable to State and local real property taxes. Qualification is based on a sliding scale of assumed property tax liability and income. In fiscal 1994 this program was expanded to include certain renters under 60 years of age who live with a dependent under age 18. The total fiscal 2001 State expenditure was $3.6 million. See Exhibit 6.5 for a summary of the number of credits granted, the total program cost, and the average credit for fiscal 2001.

- *Enterprise Zones* – Within qualifying enterprise zones, the local governing body of the political subdivision is required to grant tax credits against property taxes imposed upon certain property. The credit is against local property taxes and the State reimburses one-half of this amount. The credit is based upon 80 percent of any increased value in the property for five years. The amount then declines to zero between the sixth and tenth years of the credit. The estimated State cost of this program in fiscal 2002 is $3.6 million.

- *Homestead Tax Credit Program* – This program provides tax credits against State, county, and municipal corporation real property taxes for owner-occupied residential properties for the amount of real property taxes attributable to assessed values that exceed an annual assessment increase percentage or "cap" in any given year. The amount of the annual assessment cap is: (1) 10 percent, for purposes of the credit against State property taxes; (2) 10 percent or less, as set by each county, for purposes of the credit against county property taxes; and (3) 10 percent or less, as set by the municipal corporation (otherwise the county cap applies), for the municipal corporation property tax credit. The cost of the credits against the local property taxes is borne by the local government.

Exhibit 6.4
Homeowners' Tax Credit
Fiscal 2002

County	Number of Credits Issued	Dollar Amount of Credits Issued	Average Credit
Allegany	1,381	$ 604,207	$438
Anne Arundel	4,917	3,212,217	653
Baltimore City	16,639	13,778,143	828
Baltimore	10,523	6,955,113	661
Calvert	605	437,980	724
Caroline	402	209,277	521
Carroll	1,906	1,518,549	797
Cecil	898	586,036	653
Charles	698	526,549	754
Dorchester	469	234,359	500
Frederick	2,075	1,837,951	886
Garrett	623	247,606	397
Harford	2,108	1,540,480	731
Howard	1,098	1,051,875	958
Kent	257	146,341	569
Montgomery	4,001	3,336,650	834
Prince George's	5,250	4,944,235	942
Queen Anne's	484	321,887	666
St. Mary's	749	512,193	684
Somerset	316	125,832	398
Talbot	185	85,046	460
Washington	1,860	1,203,290	647
Wicomico	810	438,456	541
Worcester	397	211,783	533
Total	**58,651**	**$43,831,696**	**$657**

Source: Department of Assessments and Taxation

Exhibit 6.5
Renters' Tax Credit
Fiscal 2001

County	Number of Credits Issued	Average Rent Paid	Average Credit Received	Total Credit Disbursement
Allegany	174	$2,405	$194	$ 33,674
Anne Arundel	441	4,708	340	149,918
Baltimore City	5,747	3,120	280	1,608,178
Baltimore	2,701	4,026	287	776,060
Caroline	82	1,994	168	13,771
Calvert	28	3,582	373	10,449
Carroll	287	3,154	218	62,645
Cecil	91	2,622	252	22,964
Charles	137	3,582	249	34,083
Dorchester	145	2,105	171	24,775
Frederick	167	4,097	285	47,336
Garrett	8	3,207	315	2,520
Harford	353	3,267	277	98,063
Howard	231	3,700	274	63,227
Kent	82	2,467	178	12,995
Montgomery	619	4,236	243	150,115
Prince George's	830	4,759	287	238,482
Queen Anne's	43	2,239	192	8,255
St. Mary's	39	4,237	407	15,868
Somerset	63	2,473	201	12,647
Talbot	53	3,566	293	15,546
Washington	262	2,577	216	56,548
Wicomico	230	3,674	332	76,322
Worcester	38	3,430	297	11,268
Total	**16,869**	**$3,542**	**$276**	**$3,545,122**

Source: Department of Assessments and Taxation

Statewide Optional Tax Credits

Tax credits may be granted by local governing bodies against local property taxes for various types of property as specified by law, including: cemetery property; structures utilizing solar or geothermal energy saving devices; restoration and

preservation of historic or heritage structures; manufacturing, fabricating, and assembling facilities; agricultural land subject to Maryland agricultural land preservation easements; newly constructed dwellings that are unsold or unrented; open space; operating properties of railroad companies; flood damaged residential real property; tobacco barns; day care providers; property located in the BWI Airport noise zone; erosion control structures; certain low-income rental dwellings; conservation lands; property taxed to offset income tax increases; property leased by religious organizations; property of businesses that create new jobs; new or expanded business premises; brownfields property; sediment control ponds; improved property that includes the installation of an automatic fire protection sprinkler system; property owned by the Audubon Naturalist Society; certain vacant and underutilized commercial buildings; amateur sports athletic fields; rehabilitated property; and certain buildings located in arts and entertainment districts.

Local Tax Credits

The law enumerates various mandatory and optional tax credits, against local property taxes only, for counties and municipalities.

Payment Dates

Property taxes for owner-occupied residential property are due under a semiannual schedule. The first installment is due on July 1 and may be paid without interest on or before September 30. The second installment is due on December 1 and may be paid without interest on or before December 31. Local governments may add a service fee to the second installment to pay for administrative costs. However, homeowners may elect to pay the full year's property tax on or before September 30 to avoid the service charge or interest.

Property taxes for property other than owner-occupied residential property are due on July 1 and may be paid without interest on or before September 30.

Administration of Tax

Administration/Collection Responsibility

The assessment of properties is done by the Department of Assessments and Taxation. Each of the 24 subdivisions, over 150 municipalities, and the State itself depends upon the department to establish the assessable base upon which both State and local property taxes are levied. Real property taxes are collected by the county, Baltimore City, or municipal finance offices. The State tax portion is remitted to the Comptroller of the Treasury.

Costs

The Department of Assessments and Taxation's fiscal 2003 administrative budget for its Real Property Valuation Division is $31.1 million.

The Department of Assessments and Taxation's fiscal 2003 administrative costs associated with the homeowners' and renters' circuit breaker tax credit programs are $1.9 million.

Fines, Penalties, and Interest

The interest on State property taxes is charged on the total tax liability at a rate of 1 percent for each month (or fraction thereof) that the property taxes are past due. The first installment of taxes is due July 1 and interest accrues after October 1. The second installment is due on December 1 and interest accrues after January 1.

Unpaid taxes are a lien on the real property. The collector is required to sell property for which taxes are in arrears.

County, municipal, and special taxing district interest rates on overdue taxes are two-thirds of 1 percent per month, unless otherwise provided by law.

Local Taxing Authority

The subdivisions, incorporated municipalities, and special taxing districts have been granted the power by the State to levy a real property tax and to annually set the rate. For additional information on local property taxes, see *Maryland Local Government: Revenues and State Aid*, Volume VII of the Legislative Handbook Series.

Revenues

Distribution of Revenues

State real property taxes are special fund revenues dedicated exclusively to pay the debt service on State general obligation bonds. In fiscal 2003 the State will receive an estimated $283.2 million in State property taxes, less than 1.5 percent of total State revenues.

In contrast, the tax imposed on real property is the major revenue source of local governments. The proceeds collected by the State from this tax represent only a small portion of the total State and local taxes imposed on real property. Collectively, local

governments received approximately $3.3 billion in real property tax revenue in fiscal 2002.

See Exhibit 6.1 for a historical summary of the State tax rate, real property assessable base, and total State property tax collections.

Trends

The State assessable base grew steadily until the early 1990s. Growth in real estate values has slowed noticeably in recent years, and the assessable base should continue its modest growth for the next several years.

Comparison with Other States

Exhibit 6.6 compares Maryland's combined State and local property tax burden with that of neighboring states.

Exhibit 6.6
Maryland State and Local Property Taxes
Comparison to Selected States
Fiscal 1999

	Percentage of Total Taxes		Per Capita		Percentage of Personal Income	
	Percent	Rank	Amount	Rank	Percent	Rank
Maryland	*25.0%*	*34*	*$801*	*28*	*2.6%*	*36*
Delaware	14.1%	49	$462	44	1.6%	50
District of Columbia	22.9%	38	$1,309	5	3.5%	21
New Jersey	45.4%	2	$1,761	1	5.2%	4
North Carolina	21.5%	42	$569	39	2.3%	41
Pennsylvania	27.4%	29	$805	27	2.9%	31
Virginia	29.4%	24	$838	25	3.0%	30
West Virginia	19.0%	43	$449	45	2.2%	42
U.S. Average	**29.4%**		**$879**		**3.2%**	

Note: For the rankings, 1 indicates the highest. Rankings are out of 51.

Source: *Government Finances, 1998-99*, U.S. Census Bureau (September 2001)

History of Major Changes

1777 – First statewide assessment.

1914 – State Tax Commission established.

1959 – State Department of Assessments and Taxation established.

1970 – Annual ratio studies started statewide.

1973 – Law enacted for State takeover of all county assessment personnel over a three-year period.

1975 – Homeowners' (Circuit Breaker) Property Tax Credit Program enacted.

1977 – 115 percent Assessment Increase (Homestead Tax) Credit Program first enacted.
– "Constant yield tax rate" enacted.

1979 – Triennial Assessment Law enacted (present system).
– Renters' (Circuit Breaker) Property Tax Credit Program enacted.

1990 – Growth factor repealed; substituted with flat 40 percent of full cash value to determine assessable base.
– Homestead tax credit revised from a 15 percent limit to a lower limit of 0-10 percent set by local governments. The credit is applied to the State assessment using a 10 percent limitation.
– Authority to local governments to supplement the homeowners' circuit breaker program.
– Property owners' "Bill of Rights" enacted.

1992 – Property tax grant to the subdivisions (equivalent to about $0.11 of the State property tax rate) eliminated.
– Renters' Circuit Breaker Tax Credit Program expanded to allow certain renters under 65 years of age to participate when they live with a dependent child under age 18.

1995 – Property taxpayers provided the option to pay State and local property taxes in semiannual installments.

1998 – Homeowners Property Tax Credit Program revised to provide additional property tax relief to qualified recipients.

1999 – Mandatory semiannual payment of property taxes established.

2000 – Assessment method for property tax changed to system of full market value assessment.

Sections of the Maryland Annotated Code

Tax – Property Article

Legislative Handbook Series Cross-reference

Maryland Local Government: Revenues and State Aid, Volume VII

Personal Property Tax

The State has not imposed personal property taxes since fiscal 1984. From fiscal 1985 through 2000, although personal property was technically included in the State assessable tax base, the State property tax rate for personal property was set at 0 percent. Beginning July 1, 2000, all personal property is exempt from State property tax. However, the counties, municipalities, and special taxing districts are authorized to tax personal property.

Taxpayer

All business entities in Maryland may be required to pay personal property tax.

Tax Base

All assessable tangible personal property located in Maryland and owned by businesses as of January 1 is subject to the tax. See Exhibit 6.1 for a historical summary of the State assessable base for personal property through fiscal 2000.

Valuation of Base

The assessment of personal property is the responsibility of the Department of Assessments and Taxation, while the collection of the tax on personal property is the responsibility of local governments. The department separately values inventory and all

other tangible business personal property based on information filed annually by the property owners with the department by April 15 (the data is as of the preceding January 1). Property owners may request a filing extension of 60 days.

Inventory is valued at its "fair average value," which means the lower of cost or market value. All other personal property, including office furniture, fixtures, equipment and plant machinery is valued at "full cash value." Uniform rates of depreciation are applied to the cost of the property to determine full cash value.

Tax Rates

The State tax rate was zero from fiscal 1985 through 2000. Since that time, all personal property has been exempt from State property tax.

The counties, municipalities, and special taxing districts are authorized to tax personal property and to establish local tax rates.

Special Provisions

Exemptions

The State mandates certain exemptions from personal property assessment including aircraft, manufacturing tools, equipment or machinery, research and development property, farm implements, agricultural products, livestock, and residential property (nonbusiness property).

Except for personal property used in connection with a business, personal property owned by an individual is not subject to valuation or taxation. Personal property used in connection with a business is also exempt if it is owned by an individual and is located at the individual's residence, and either: (1) is used in connection with a licensed family day care home; or (2) had a total original cost (excluding vehicles) of less than $10,000.

Local governments may provide various additional exemptions.

Tax Credits

Various tax credits are allowed against the local tax.

Amended Returns

Businesses may file amended personal property tax returns to correct previous errors in reporting or claim missed exemptions, except for missed manufacturing exemptions, within three years of the April 15 that the return was originally due.

Payment Dates

Locally imposed personal property taxes are due by July 1, but may be paid on or before September 30, without incurring interest charges.

Administration of Tax

Administration/Collection Responsibility

Assessments are determined by the State Department of Assessments and Taxation and the taxes, which are all locally imposed, are collected by the local governments.

Costs

The total administrative budget for the Business Property Valuation Division within the Department of Assessments and Taxation is $2.7 million for fiscal 2003.

Fines, Penalties, and Interest

Interest on taxes due to county, municipal, and special taxing districts is two-thirds of 1 percent for each month or less overdue, unless otherwise provided. Unpaid taxes are a lien on the personal property and on the real property of the owner of the personal property.

The penalty for filing a late return is one-tenth of 1 percent of the assessment with a minimum initial penalty amount of $30 and a maximum of $500, plus 2 percent for each month or partial month the return is late.

Local Taxing Authority

The counties, municipalities, and special taxing districts are authorized to levy a personal property tax and to annually set the rate.

Revenues

See Exhibit 6.1 for a history of the assessable base and applicable State tax rates for personal property as well as total State property tax collections.

Distribution of Revenues

For fiscal 1984 and prior years, State revenues were credited to special funds. Beginning with fiscal 1985, there have been virtually no State revenues because the State tax rate was reduced to zero effective July 1, 1984.

Trends

The personal property base has shown a steady pattern of growth over the years.

History of Major Changes

1984 – State tax rate on personal property reduced to zero and the offsetting credit against income taxes repealed.

1997 – Cables, lines, poles, and towers of telecommunications companies reclassified from operating real property to operating personal property.

1998 – Personal property with a total original cost of less than $10,000 that is owned by an individual and used in connection with a business, occupation, or profession located at an individual's principal residence is not subject to valuation or taxation for all taxable years beginning after June 30, 1999.

1999 – All personal property is exempt from the State property tax for all taxable years beginning after July 1, 2000.

Sections of the Maryland Annotated Code

Tax – Property Article

Legislative Handbook Series Cross-reference

Maryland Local Government: Revenues and State Aid, Volume VII

Public Utility and Railroad Property Tax

Taxpayer

Public utilities and railroads operating in Maryland are required to pay property tax.

Tax Base

For the State property tax, the property tax base is operating real property. For local property taxes, the tax base is operating real and operating personal property. See Exhibit 6.1 for a historical summary of the operating real and operating personal property assessable base for public utilities and railroads.

Valuation of Base

The operating property is valued at its full cash value using one of three valuation approaches: cost, income, or market. The land is valued according to local market conditions and the land assessment is then deducted from the overall value that is determined by the department to avoid double taxation (since it is included with real property).

The assessable base for operating real property of public utilities and railroads for fiscal 2002 is shown in Exhibit 6.2.

Tax Rate

The tax rates for railroad operating property are the same as those applied to all other real and personal property. Beginning with fiscal 2002, reflecting the change in assessment of all real property from 40 to 100 percent of full cash value, the tax rates for public utility operating property are two and one-half times the rates applied to other real property. See Exhibit 6.1 for a historical summary of the State tax rates.

Special Provisions

Exemptions

The value of motor vehicles and the fair average value of fuel stocks of public utilities is deducted from the determined value. Fifty percent of the value of machinery and equipment used to generate electricity for sale is exempt from tax.

Allocation and Apportionment of Property

The entire operating unit of a public utility or railroad is valued. For multistate companies, the department allocates to Maryland the value of that part of the operating unit reasonably attributable to this State.

Tax Credits

There are no tax credits for State purposes, although credits are allowed against the corporate income tax for public utilities that are telecommunications companies or that generate electricity for 60 percent of the total property taxes on specified operating real property.

Payment Dates

The tax is due by July 1, but may be paid on or before September 30 without incurring interest charges.

Administration of Tax

Administration/Collection Responsibility

Similar to real property and business personal property, the State Department of Assessments and Taxation is responsible for certifying the assessment. Local governments are responsible for the collection of the tax which is remitted to the State.

Costs

The total administrative budget for the Business Property Valuation Division within the Department of Assessments and Taxation is $2.7 million for fiscal 2003.

Fines, Penalties, and Interest

Interest on late payment of tax is the same as that imposed on real and personal property.

The penalty for filing a late return is one-tenth of 1 percent of the county assessment with a minimum initial penalty amount of $25 and a maximum of $500, plus 2 percent for each month or partial month the return is late.

Local Taxing Authority

The counties and municipalities are authorized to levy a tax on this property and to annually set the rate.

Revenues

See Exhibit 6.1.

Distribution of Revenues

State revenues from the taxation of real property of public utilities and railroads are treated the same as other property tax revenues in that they are special fund (Annuity Bond Fund) revenues dedicated to the payment of debt service on State general obligation bonds. Exhibit 6.1 reflects the assessable base and applicable State property tax rates for public utilities and railroads as well as the total amount of State property tax revenues. The majority of the revenues generated from property taxes on public utility and railroad operating property is retained by local governments and not reflected in Exhibit 6.1.

Trends

The base for public utility and railroads has shown a steady pattern of growth over the years.

History of Major Changes

1997 – Cables, lines, poles, and towers of telecommunications companies were reclassified from operating real property to operating personal property. Corporate income tax credit allowed to telecommunications companies for 60 percent of property taxes paid on operating real property.

1999 – Partial exemption allowed for machinery and equipment used to generate electricity (25 percent for tax year 2001; 50 percent beginning in tax year 2002). Cables, lines, poles, and towers of electric companies reclassified from operating real property to operating personal property. Corporate income tax credit allowed to electric companies for 60 percent of property taxes paid on operating real property (other than land) used to generate electricity.

Sections of the Maryland Annotated Code

Tax – Property Article, primarily Sections 6-103, 8-108, 8-109, 8-201, and 9-209

Legislative Handbook Series Cross-reference

Maryland Local Government: Revenues and State Aid, Volume VII

Transfer Tax

Taxpayer

Any person or business conveying title to real property by means of an instrument of writing recorded with the clerk of the circuit court (for a county) or filed with the Department of Assessments and Taxation is required to pay the transfer tax.

Tax Base

The tax base is the amount of the consideration payable for the instrument of writing. The consideration includes the amount of any mortgage or deed of trust assumed by the grantee.

Valuation of Base

Every instrument of writing conveying title to real property must state the consideration payable.

Tax Rates

The State transfer tax rate is 0.5 percent of the consideration payable for an instrument of writing (one conveying title to, or a leasehold interest in, real property); however, in the case of a first-time Maryland home buyer purchasing a principal residence, the transfer tax rate is 0.25 percent.

Several counties are authorized to impose local transfer taxes.

Special Provisions

Instrument of Writing

An instrument of writing is required in order to convey title to, or a leasehold interest in, real property. The term includes a deed or contract, a lease, an assignment of a lessee's interest, articles of transfer, and articles of merger or consolidation. The term does not include a mortgage, deed of trust, or other contract that creates an encumbrance on real property or a security agreement.

Exemptions

Conveyances to a government or public agency, conveyances involving related corporations, and transfers between spouses or relatives are exempt.

Payment Dates

Payments are due before transfer is recorded with the clerk of the court, or when filed with the Department of Assessments and Taxation.

Administration of Tax

Administration/Collection Responsibility

For taxable deeds, the State tax is collected by the clerks of the circuit courts. The Department of Assessments and Taxation collects the State tax on corporate transfers involving the filing of articles of transfer.

Costs

The cost of administering this tax is not a separately stated item in the budget. The total fiscal 2003 budget of the clerks of the circuit courts is $68 million. The total fiscal 2003 budget for the Business Services and Finance Division within the Department of Assessments and Taxation is $2.7 million.

Local Taxing Authority

Several counties are authorized to impose local transfer taxes.

Revenues

Exhibit 6.7
Maryland Transfer Tax Revenues
Fiscal 1980 – 2003
($ in Millions)

Fiscal Year	General Fund	Special Fund	Total Net State Revenues[1]	% Change[2]
1980	$28.4	---	$28.4	---
1985	19.9	$26.2	46.1	10.2
1990	30.9	39.0	69.9	8.7
1991	40.7	14.7	55.4	(6.9)
1992	23.1	35.3	58.4	5.4
1993	54.3	8.3	62.6	7.2
1994	35.0	37.2	72.2	16.6
1995	21.6	52.6	74.2	2.8
1996	6.3	59.2	65.5	(11.7)
1997	6.5	60.7	67.2	2.6
1998	---	81.1	81.1	2.1
1999	---	80.2	80.2	(1.0)
2000	---	92.5	92.5	15.3
2001	---	97.2	97.2	5.1
2002 (est.)	---	114.4	114.4	17.6
2003 (est.)	47.3[3]	50.2	97.5	(14.7)

[1] Net of refunds; includes collections by the Department of Assessments and Taxation and the clerks of the court.
[2] For 1985 and 1990, figures reflect average annual change.
[3] The Budget Reconciliation and Financing Act of 2002 allocates $47.3 million to the general fund for fiscal 2003 and 2004 only.

Source: Bureau of Revenue Estimates; Department of Budget and Management

Distribution of Revenues

Revenues are paid to the Comptroller by the clerks of the circuit courts and the Department of Assessments and Taxation. For fiscal 2003 and 2004 only, $47.3 million in transfer tax revenues is allocated to the general fund. The remainder of transfer tax revenues are special funds dedicated to various programs including Program Open Space, the Agricultural Land Preservation Fund, Rural Legacy, and the Heritage Conservation Fund.

Beginning in fiscal 2003, 75.15 percent of the special fund revenues goes to Program Open Space, an additional 1 percent goes to Program Open Space for land acquisition purposes, 17.05 percent goes to the Agricultural Land Preservation fund, 5 percent goes to the Rural Legacy Program, and 1.8 percent goes to the Heritage Conservation Fund.

Trends

Transfer tax revenues fluctuated through the 1990s and early 2000s. The projected decline in revenues for fiscal 2003 is a result of the weakened economy. Future growth will depend on the strength of the economy and the impact of interest rate changes on the Maryland real estate market.

History of Major Changes

1970 – Transfer tax first imposed on instruments conveying title to real property at one-half of 1 percent of the consideration paid to provide funding for Program Open Space.

1984 – Revised the distribution of revenues – the first $24 million of revenues are credited to Program Open Space and the balance to the general fund.

1987 – Exemption enacted for the first $20,000 in consideration paid for owner-occupied, improved residential property (for transfers recorded after July 1, 1988).

1988 – Exemption enacted in 1987 is increased from $20,000 to $25,000 for transfers recorded after July 1, 1988.

1989 – Exemption enacted in 1987 is increased to $30,000 for transfers recorded after July 1, 1989.

1990 – Distribution of revenues revised to gradually increase the special fund distribution to 100 percent over the five-year period beginning in fiscal 1992.

1992-93 – Phase-in of revenue distribution delayed so that it is accomplished over a four-year period beginning in fiscal 1994.

1995 – Exemption enacted for first-time homebuyers' share of State transfer tax; local governments authorized to provide exemption from local transfer tax and recordation tax. Exemption for first $30,000 of value of owner-occupied real property repealed.

1997 – Distribution of revenues revised to provide funding for the newly created Rural Legacy Program.

2002 – The Budget Reconciliation and Financing Act of 2002 revised the distribution of revenues and allocated a portion of revenues to the general fund; $47.3 million is allocated to the general fund for fiscal 2003 and 2004 only.

Sections of the Maryland Annotated Code

Tax – Property Article, Title 13, Subtitles 1 and 2

Legislative Handbook Series Cross-reference

Maryland Local Government: Revenues and State Aid, Volume VII

Recordation Tax

Taxpayer

Any person or business conveying title to real property or creating or giving notice of a security interest (i.e., a lien or encumbrance) in real or personal property, by means of an instrument of writing, must pay the recordation tax.

Tax Base

In the case of instruments conveying title, the tax base is the actual consideration paid; for articles of transfer, the tax base is the actual consideration paid for the real property; and for financing statements and mortgages, the tax base is the principal amount of the debt secured under the instrument.

Valuation of Base

Generally, the value is determined at the time of recording the instrument or in an affidavit filed with the instrument. In the case of instruments conveying title to real

property, the law requires that a statement of the amount of the actual consideration paid, including the amount of any mortgage or deed of trust assumed by the grantee, be included in every instrument.

Articles of transfer and certain financing statements are filed with the Department of Assessments and Taxation. Investments conveying title to real property and certain financing statements are filed with the clerk of the court.

Tax Rates

The State sets a rate of $1.65 per $500 (or fraction thereof) of the consideration payable or of the principal amount of the debt secured for articles of transfer, articles of merger, or articles of consolidation filed with the department evidencing a merger, consolidation, or other transfer.

The State sets a rate of 55 cents per $500 (or fraction thereof) for instruments of writing for property located in two or more counties used as security for corporate bonds of public utilities.

Subdivisions are authorized by law to impose locally established recordation tax rates, the revenues of which are collected by the clerks of the court.

Special Provisions

Instrument of Writing

An instrument of writing is required in order to convey title to real property or a security interest in real or personal property and may include a deed or contract; a mortgage, deed of trust, or other contract that creates a security interest in real property; a lease of real property; an assignment of a lessee's interest in real property; articles of transfer; security agreements; articles of merger between foreign corporations or limited partnerships; and articles of consolidation between foreign corporations.

Exemptions

The following are exempt from recordation taxes: transfers to public agencies; liens on vehicles and vessels; transfers between relatives of the immediate family; transfers between former spouses which are part of divorce decrees; previously recorded instruments; refinancing instruments; uniform commercial code security agreements; judgments; orders of satisfaction; participation agreements; transfer of corporate property between related corporations; corporate or partnership conveyance; land installment

contracts; options to purchase; deeds for prior contracts of sale and leases of seven years or less; and certain articles of merger and consolidation between foreign corporations.

Payment Dates

Tax is due at the time of recording a deed or instrument of writing with the clerk of the court, or when filed with the Department of Assessments and Taxation (for articles of transfer).

Administration of Tax

Administration/Collection Responsibility

The Department of Assessments and Taxation administers the collection of the State recordation tax in the case of articles of transfer, merger, and consolidation.

The Director of Finance in Prince George's County and either the clerks of the circuit courts or the county tax collectors in other jurisdictions administer the collection of the locally imposed recordation taxes for other instruments conveying title and financing statements where the statements are required to be filed locally.

Costs

The cost of administering this tax is not a separately stated item in the budget. The total fiscal 2003 budget of the clerks of the circuit courts is $68 million. The total fiscal 2003 budget for the Business Property Valuation Division within the Department of Assessments and Taxation is $2.7 million.

Local Taxing Authority

All subdivisions have the authority to impose the recordation tax and to set the local tax rate.

Revenues

For fiscal 2002 local revenues from recordation taxes were projected to be approximately $186 million.

Distribution of Revenues

State recordation tax receipts on articles of transfer of corporate property are collected by the department and are remitted to the Comptroller who, after deducting the department's administrative costs, distributes the net proceeds to the counties based on the ratio of recordation tax collected in the prior fiscal year in each county to total recordation tax collected.

State recordation tax receipts resulting from security interests for corporate public utility bonds are deposited to the general fund.

The revenues collected by a clerk of the circuit court are paid to the governing body of the county where collected.

History of Major Changes

1937 – Recordation tax first imposed.

1947 – Rates increased from 10 cents per $100 to 55 cents for each $500.

1968 – Subdivisions authorized to fix local recordation tax rates (repeal of federal documentary stamp tax effective January 1, 1968).

1972 – Required collection of a tax of $1.65 for each $500 of principal amount of debt secured under documents filed with the department.

1975 – Set basic tax rate at $1.65 for each $500 of consideration.

1997 – Exemption enacted for transfers of real property from a joint venture or a proprietorship involved primarily in real property transactions to a limited liability company if the members of the joint venture or proprietorship are identical and the predecessor entity is dissolved.

2000 – Exemption enacted for security interest filings made with the Department of Assessments and Taxation under the Maryland Uniform Commercial Code – Secured Transactions.

– Authorized counties to designate county tax collectors, rather than clerks of the court, to collect recordation taxes.

Sections of the Maryland Annotated Code

Tax – Property Article, Title 12

Legislative Handbook Series Cross-reference

Maryland Local Government: Revenues and State Aid, Volume VII

Agricultural Land Transfer Tax

Taxpayer

Agricultural land transfer taxes are paid by any person or business conveying title to agricultural land that is subject to the tax. Either the buyer or the seller, as determined by the contract of sale, may pay the tax.

Tax Base

The tax base is the amount of consideration paid for the property, including the amount of any mortgage or deed of trust assumed by the grantee, less the value of any improvements or any land not subject to the tax.

Valuation of Base

The amount of consideration paid must be stated in the instrument of writing that transfers title to agricultural land.

Tax Rates

The rate is 5 percent for transfers of 20 acres or more of agricultural land; 4 percent for transfers of less than 20 acres assessed for agricultural use or as unimproved agricultural land; and 3 percent for transfers of less than 20 acres of agricultural land assessed as improved agricultural land or agricultural land with site improvements such as well and septic. The transfer tax is reduced by 25 percent for each consecutive full taxable year before the transfer was made if the assessment was based on other than farm or agricultural use.

Special Provisions

Instrument of Writing

An instrument of writing conveys title to or provides a leasehold interest in real property. The term includes a deed or contract, a lease, an assignment of a lessee's interest, and articles of transfer. The term does not include a mortgage, deed of trust, or other contract that creates an encumbrance on real property, or other security agreements.

Exemptions

An instrument of writing is not subject to the agricultural land transfer tax if:

- the property tax on the land has been paid for five full consecutive taxable years before the transfer on the basis of an assessment other than the farm or agricultural use assessment;
- the transfer is to a member of the owner's immediate family for residential use; or
- the transferee declares that the land will remain in farm or agricultural use for at least five full consecutive taxable years.

Payment Dates

An instrument of writing subject to agricultural land transfer tax may not be recorded in any county or filed with the department until the agricultural land transfer tax is paid to the collector for the county or paid to the department.

Administration of Tax

The tax is collected by each county's treasurer or department of finance.

Fines, Penalties, and Interest

If the land fails to comply with the agricultural use declaration made by the transferee, the transfer tax plus a penalty will be due on the portion that fails to comply. In this event, the transfer tax is equal to the fair market value of the property at the time of the violation of the owner's declaration of intent, multiplied by the applicable rate plus an additional 10 percent penalty.

Local Taxing Authority

All subdivisions have the authority to impose the agricultural land transfer tax under the rates set by State law.

Revenues

Exhibit 6.8
Maryland Agricultural Land Transfer Tax[1]
Fiscal 1985 – 2003
($ in Millions)

Fiscal Year	County Share	State Share	Total Net Revenues	% Change[2]
1985	$2.3	$2.9	$ 5.2	---
1990	5.5	7.6	13.0	20.1
1991	1.7	1.8	3.5	(73.1)
1992	1.7	1.2	2.8	(20.0)
1993	2.6	1.6	4.2	50.0
1994	2.7	1.4	4.1	(2.4)
1995	3.4	1.9	5.3	29.3
1996	2.8	2.0	4.8	(9.4)
1997	3.2	2.2	5.4	12.5
1998	4.0	1.8	5.8	7.9
1999	5.1	2.4	7.5	29.5
2000	7.8	3.2	11.0	45.6
2001	5.5	3.1	8.7	(21.2)
2002	6.1	2.8	8.9	3.1
2003 (est.)	6.0	3.0	9.0	0.8

[1] Net of refunds.
[2] For 1990 figure reflects average annual change.

Source: Department of Agriculture; Department of Assessments and Taxation; Department of Legislative Services

Distribution of Revenues

The agricultural land transfer tax is collected by each county. Of the total collections, each county (except Montgomery) retains one-third of the funds and transfers the balance to the Comptroller. The Comptroller transfers these funds to the Maryland

Agricultural Land Preservation Foundation. Montgomery County retains two-thirds of its funds and transfers the balance to the Comptroller. The monies retained by each county are generally used as local matching funds under the State agricultural easement program and for other approved county agricultural preservation programs.

The counties must spend or encumber all agricultural transfer tax revenues within three years from the date of receipt or remit the unspent or unencumbered portion to the Comptroller for deposit into the Maryland Agricultural Land Preservation Fund. The only exception is Prince George's County, which may keep all revenues received prior to June 30, 1991, for use in acquiring woodland or purchasing agricultural easements.

In 1990 the General Assembly created a program giving counties the ability to retain a larger share of the agricultural land transfer tax revenues if certain requirements were met. A qualifying county will receive 75 percent of the agricultural transfer tax revenues collected by that county (rather than the 33 percent presently retained) and a portion of any surplus funds held by the foundation at the end of the fiscal year. In order to become certified to receive the additional funds, counties must develop effective farmland preservation programs that are approved by the Maryland Agricultural Land Preservation Foundation and the Maryland Department of Planning. Certification lasts for two years, and for a county to be recertified the success of its program must be demonstrated.

There are currently 16 counties that have been certified as having an effective land preservation program: Anne Arundel, Baltimore, Calvert, Carroll, Cecil, Charles, Frederick, Harford, Howard, Kent, Montgomery, Queen Anne's, St. Mary's, Talbot, Washington, and Worcester.

Trends

From the inception of the tax in 1981 until 1988, revenues increased due to rapid development in rural areas. Revenues decreased in the late 1980s and early 1990s as a result of the economic recession and a general slowdown in the real estate market. With falling interest rates and improved economic conditions, revenues rebounded in fiscal 1993. Revenues have fluctuated over the last several fiscal years, with future revenues depending on real estate development trends.

History of Major Changes

1981 – Agricultural land transfer tax created (derived from the development penalties created in 1969 to deter the development of lands receiving the agricultural use property assessment).

1982 – Transfer tax rates changed to the current rate structure based on the size of the property and not based on the previous type of assessment.

1988 – Tax penalty created for landowners who violate the declaration of intent to maintain the land in agricultural use. The new formula provided that the tax rates should be applied to the fair market value at the time the declaration of intent was violated (when land was no longer used for agricultural purposes). Under previous law, the tax was calculated as the amount that would have been payable at the time of the transfer had the owner not filed a declaration.

1990 – Certification program created giving counties the ability to retain a larger portion of the agricultural land tax revenues.

Sections of the Maryland Annotated Code

Tax – Property Article, Title 13, Sections 13-301 through 13-308

Chapter 7. Tobacco and Alcoholic Beverages Taxes

Tobacco Tax

Taxpayer

Licensed Maryland cigarette wholesalers, who pay the tax by purchasing tax stamps that they affix to all packages of cigarettes before sale at retail; registered wholesalers who sell other tobacco products to a retailer or consumer in the State; or other retailers or consumers who possess other tobacco products in the State on which the tobacco tax has not been paid are required to pay the tobacco tax.

Tax Base

The tax base includes cigarettes and other tobacco products, including cigars, loose pipe tobacco, chewing tobacco, and snuff possessed in the State.

Valuation of Base

The taxpayer files monthly reports in accordance with rules and regulations of the Comptroller.

Tax Rates

The tax on a typical pack of 20 cigarettes is $1. The tax is 50 cents for each pack of 10 cigarettes or fewer and 5 cents per cigarette for packs in excess of 20 cigarettes and for packs of free sample cigarettes. Other tobacco products, including cigars, loose pipe tobacco, chewing tobacco, and snuff, are taxed at a rate of 15 percent of their wholesale price.

Special Provisions

Tax Stamps

Tax stamps are affixed to a package of cigarettes to evidence payment of the tax.

Exemptions

Cigarettes are exempt from the tax if they are held for sale outside the State or to U.S. armed forces' exchanges or commissaries, or are being transported and are not deemed contraband.

Tax Refunds/Credits

Refunds/credits are given for: mutilated stamps, unsalable cigarettes, cigarettes returned to manufacturers, cigarettes stamped in error, stamps canceled by the Comptroller, discontinuation of business by a licensee, or when at least $250 of stamps have been lost or destroyed (except by theft).

Discounts

The wholesaler is given a discount of .82 percent of the gross purchase price of the stamps.

Payment Dates

Wholesalers may purchase stamps with cash, with approved credit for up to 95 percent of the security for the tax posted with the Comptroller, or with cigarette tax credits issued by the Comptroller. Cash and tax credit payments must be made at the time of sale; tax due for credit purchases must be remitted by the twenty-first of the month following the report month.

Administration of Tax

The Alcohol and Tobacco Tax Division, Comptroller of Maryland is responsible for the administration and collection of the tobacco tax and alcoholic beverage taxes. In fiscal 2003 total administrative costs for the Alcohol and Tobacco Tax Division are projected to be $1.8 million.

Fines, Penalties, and Interest

Willful failure to pay the tax – a monetary penalty of not more than 25 percent of the tax due.

Underpayment of the tax – interest is assessed at a rate of 3 percent above the prime rate, but not less than 13 percent, as determined by State law.

Local Taxing Authority

None.

Revenues

Exhibit 7.1
Maryland Tobacco Tax Revenues
Fiscal 1975 – 2003

Fiscal Year	Tax Rate (Cents per Pack)	Number of Packs (Millions)	Net Revenues[1] ($ in Millions)	% Change[4]
1975[2]	10	598.0	$ 36.2	---
1980[3]	10	545.7	52.3	7.6
1985	13	533.2	66.7	5.0
1990	13	479.1	59.6	(2.2)
1991[5]	13	472.7	61.1	2.4
1992[5, 6]	16	444.2	92.0	50.6
1993[6]	36	400.2	139.7	52.1
1994	36	397.3	139.7	0.0
1995	36	389.1	137.2	(1.8)
1996	36	377.5	132.3	(3.6)
1997	36	368.7	130.2	(1.6)
1998	36	365.0	128.3	(1.5)
1999	36	363.5	128.9	(0.5)
2000[7]	66	304.2	210.0	62.9
2001[8]	66	307.8	205.6	(2.0)
2002[9]	66	301.0	209.9	2.1
2003 (est.)	100	274.1	293.1	39.6

[1] Net of refunds and credits.
[2] The tax rate increased from 6 to 10 cents on 6/1/75.
[3] The tax rate increased from 10 to 13 cents on 7/1/80.
[4] 1980, 1985, and 1990 reflect average annual change.
[5] The tax rate increased from 13 to 16 cents on 6/1/91.
[6] The tax rate increased from 16 to 36 cents on 5/1/92.
[7] The tax rate increased from 36 to 66 cents on 7/1/99.
[8] 15 percent tax on the wholesale price of other tobacco products imposed beginning 7/1/00.
[9] The tax rate increased from 66 cents to $1 on 6/1/02.
Source: Alcohol and Tobacco Tax Division, Comptroller of Maryland

Distribution of Revenues

After an allowance for refunds, the proceeds are allocated to the general fund. For fiscal 2003, $80.5 million in tobacco tax revenue is dedicated to a special fund for K-12 education.

Trends

Sales of cigarettes in Maryland peaked in 1975. Use has generally declined since that date and a slight continuing decline is expected. Revenues increased by approximately 63 percent in fiscal 2000 due to the 30 cent tax increase. Although use is expected to decline, revenues are expected to increase by almost 40 percent in fiscal 2003 due to the 34 cent tax increase enacted in 2002. Revenues are expected to decline slightly thereafter, absent any additional tax increases.

Comparative Federal Tax Rate

The United States imposes a federal excise tax of 39 cents per pack of 20 cigarettes. The rate will increase to 48 cents effective October 1, 2002.

Comparison with Other States

See Exhibit 7.2 for a summary of State government taxes imposed on cigarettes.

Exhibit 7.2
State Cigarette Tax Rates
Comparison with Other States
As of July 1, 2002

State	Tax Rate (¢ per Pack)	State	Tax Rate (¢ per Pack)
Alabama	16.5	Nebraska	64
Alaska	100	Nevada	35
Arizona	58	New Hampshire	52
Arkansas	34	New Jersey	150
California	87	New Mexico	21
Colorado	20	New York	150
Connecticut	111	North Carolina	5
Delaware	24	North Dakota	44
Florida	33.9	Ohio	55
Georgia	12	Oklahoma	23
Hawaii	100	Oregon	68
Idaho	28	Pennsylvania	31
Illinois	98	Rhode Island	132
Indiana	55.5	South Carolina	7
Iowa	36	South Dakota	33
Kansas	70	Tennessee	13
Kentucky	3	Texas	41
Louisiana	24	Utah	69.5
Maine	100	Vermont	93
Maryland	100	Virginia	2.5
Massachusetts	76	Washington	142.5
Michigan	75	West Virginia	17
Minnesota	48	Wisconsin	77
Mississippi	18	Wyoming	12
Missouri	17	Dist. Of Columbia	65
Montana	18	U.S. Median	53.6

Note: Rate increases in effect after 7/1/02: Hawaii – $1.20, effective 10/1/02; Louisiana – 36 cents, effective 8/1/02; Massachusetts – $1.51, effective 7/25/02; Michigan – $1.25, effective 8/1/02; Nebraska – 64 cents, effective 10/1/02; Pennsylvania – $1, effective 7/15/02; Tennessee – 20 cents, effective 7/15/02.

Source: Federation of Tax Administrators, Tobacco Tax Section

History of Major Changes

1957 – Tobacco tax legislation passed and vetoed by Governor.

1958 – Bill passed over Governor's veto and tax imposed at the rate of 3 cents per pack on 7/1/58.

1961 – Rate increased to 6 cents per pack on 6/30/61.
– Political subdivisions prohibited from imposing cigarette taxes.

1975 – Rate increased to 10 cents per pack on 6/1/75.

1980 – Rate increased to 13 cents per pack but exempted tobacco from sales tax on 7/1/80.

1982 – Beginning in fiscal 1982, revenue accounted for on an accrual basis (previously on a cash basis).

1986 – Tax rate for sample cigarettes set at 6.5 mils per cigarette.

1991 – Rate increased to 16 cents per pack and sales tax exemption repealed on 6/1/91.

1992 – Rate increased to 36 cents per pack on 5/1/92.
– Distribution of revenues to the subdivisions repealed.

1999 – Cigarette tax rate increased to 66 cents per pack effective 7/1/99.
– Licensed wholesaler discount reduced from 1.36 percent to .82 percent.
– 15 percent tax on the wholesale price of other tobacco products, such as cigars and smokeless tobacco, imposed effective 7/1/00.

2002 – Cigarette tax rate increased to $1 per pack on 6/1/02.

Sections of the Maryland Annotated Code

Tax – General Article, Titles 2, 12, and 13

Alcoholic Beverage Taxes

Taxpayer

Distilled Spirits Tax (Liquor Tax): The taxpayers are licensed Maryland wholesalers who sell to Maryland retailers.

Beer Tax: The taxpayers are licensed nonresident dealers for beer sales only to wholesalers, Maryland wholesalers (self-import products), or Maryland manufacturers.

The taxpayer must pay the tax prior to the product entering the State (except for beer manufactured in Maryland).

Wine Tax: The taxpayers are licensed Maryland wholesalers or manufacturers (wineries) who pay the tax on prior month sales and deliveries of wine to retail dealers.

Tax Base

Distilled Spirits Tax: All distilled spirits (i.e., any alcoholic beverage except beer or wine) sold or delivered by a licensed manufacturer or wholesaler to any retail dealer in the State are subject to the tax.

Beer Tax: Any brewed alcoholic beverages, including beer, ale, porter, stout, and hard cider, sold or delivered in Maryland are subject to the tax.

Wine Tax: All wine sold or delivered by a licensed wholesaler or winery to any retail dealer in the State is subject to the tax.

Valuation of Base

The taxpayer files monthly tax returns in accordance with rules and regulations of the Comptroller.

Tax Rates

Distilled Spirits Tax: The tax is imposed at the rate of $1.50 per gallon or 39.63 cents per liter. If the distilled spirit is greater than 100 proof, an additional tax of 1.5 cents for each gallon or .3963 cents for each liter is applied for each one proof over 100.

Beer Tax: The tax is imposed at the rate of 9 cents per gallon or 2.3778 cents per liter.

Wine Tax: The tax is imposed at the rate of 40 cents per gallon or 10.57 cents per liter.

Special Provisions

Exemptions

No tax is paid on liquor, beer and wine that is: brought into the State under an import/export permit, a nonbeverage permit, or a nonresident storage permit; used on airplanes, trains, or ships, unless consumed in Maryland; used for sacramental or medicinal purposes; produced in connection with a fuel-alcohol permit; brought into the State in limited quantities for personal use; or shipped to federal reservations.

Tax Credits

Distilled Spirits Tax: Credits are issued for sales to federal reservations or for shipments outside of Maryland.

Refunds

Refunds are given for loss (excluding theft) or unmarketable or condemned beverages due to a disaster, if the total loss exceeds $250; alcoholic beverages, beer, and wine that are exempt; and discontinued business.

Discounts

None.

Payment Dates

Distilled Spirits Tax: Wholesalers make monthly tax payments based on actual sales. Returns are due on the tenth of each month and cover the previous month's activity.

Beer Tax: Beer tax must be paid before beer enters Maryland through prepayment or foreign beer release. Tax returns are due by the tenth of the month following the report period for beer delivered to a wholesaler by a Maryland manufacturer or out-of-state supplier.

Wine Tax: Payments must be remitted with the tax return on the tenth of the month covering the previous month's activity.

Administration of Tax

The Alcohol and Tobacco Tax Division, Comptroller of Maryland is responsible for the administration and collection of the tobacco tax and the alcoholic beverage taxes. In fiscal 2003 total administrative costs for the Alcohol and Tobacco Tax Division, Comptroller of Maryland are projected to be $1.8 million.

Fines, Penalties, and Interest

Willful failure to pay the tax – a monetary penalty of not more than 10 percent of the tax due.

Underpayment of the tax – interest is assessed at a rate of 3 percent above the prime rate, but not less than 13 percent, as determined by State law.

Local Taxing Authority

Distilled Spirits Tax: None.

Beer Tax: Garrett County is the only subdivision authorized to tax beer. The rate is 2 cents for each 12 ounce container, 3 cents for each container greater than 12 ounces but not exceeding 23 ounces, 4 cents for each container greater than 23 ounces but not exceeding 31 ounces, 6 cents for each container greater than 31 ounces but not exceeding 40 ounces, and 7 cents for each gallon or fraction of a gallon for a container greater than 40 ounces.

Wine Tax: None.

Revenues

See Exhibits 7.3, 7.4, and 7.5.

Distribution of Revenues

After allowing for refunds, the proceeds of the liquor tax, beer tax, and wine tax go to the general fund.

Exhibit 7.3
Maryland Liquor Tax (Distilled Spirits Tax) Revenues
Fiscal 1975 – 2003

Fiscal Year	Number of Gallons (Millions)	Net Revenues[1] ($ in Millions)	% Change[2]
1975	10.54	$15.6	---
1980	11.14	16.7	1.4
1985	9.96	15.0	(2.0)
1990	9.05	13.1	(2.7)
1995	7.53	11.1	(3.3)
1996	7.26	11.0	(1.0)
1997	7.29	11.0	0.0
1998	7.44	11.2	1.0
1999	7.44	11.2	0.0
2000	7.67	11.5	2.6
2001	7.78	11.4	(1.0)
2002	8.0	12.2	7.0
2003 (est.)	7.8	11.6	(4.9)

[1] Net of refunds and credits.
[2] 1980, 1985, 1990, and 1995 reflect average annual change.
Source: Alcohol and Tobacco Tax Division, Comptroller of Maryland

Exhibit 7.4
Maryland Beer Tax Revenues
Fiscal 1975 – 2003

Fiscal Year	Number of Gallons (Millions)	Net Revenues[1] ($ in Millions)	% Change[2]
1975	93.43	$8.4	---
1980	100.30	9.3	2.1
1985	102.90	9.3	0.0
1990	102.38	8.8	(1.0)
1995	94.44	8.8	0.0
1996	95.24	8.7	(1.1)
1997	94.84	8.7	0.0
1998	95.78	8.8	1.1
1999	95.28	8.8	0.0
2000	98.60	8.8	0.0
2001	98.58	9.1	3.4
2002	102.2	9.3	2.2
2003 (est.)	102.2	9.2	(1.1)

[1] Net of refunds and credits.
[2] 1980, 1985, 1990, and 1995 reflect average annual change.
Source: Alcohol and Tobacco Tax Division, Comptroller of Maryland

Exhibit 7.5
Maryland Wine Tax Revenues
Fiscal 1975 – 2003

Fiscal Year	Number of Gallons (Millions)	Net Revenues[1] ($ in Millions)	% Change[2]
1975	7.0	$2.8	---
1980	8.3	3.3	3.3
1985	10.0	4.1	4.4
1990	10.0	4.0	(0.5)
1995	8.0	3.5	(2.6)
1996	9.0	3.6	2.9
1997	9.2	3.7	2.8
1998	9.5	3.9	5.4
1999	9.7	3.9	0.0
2000	10.0	4.1	5.1
2001	9.9	3.9	(4.8)
2002	10.1	4.2	7.7
2003 (est.)	10.5	4.2	0.0

[1] Net of refunds and credits.
[2] 1980, 1985, 1990, and 1995 reflect average annual change.
Source: Alcohol and Tobacco Tax Division, Comptroller of Maryland

Trends

Distilled Spirits Tax: While sales of distilled spirits have increased since 1999, consumption is expected to decrease slightly in fiscal 2003.

Beer Tax: Beer revenues have increased slightly over the past several years, with a slight decrease expected for fiscal 2003.

Wine Tax: Wine revenues have been relatively constant for the past several years, despite a decline of approximately 5 percent in fiscal 2001. Revenues are expected to rebound in fiscal 2002 and 2003.

Comparative Federal Tax Rate

Distilled Spirits Tax: There is a federal excise tax of $13.50 per gallon on distilled spirits.

Beer Tax: Federal excise tax on beer is $18 per barrel (31 gallons) or 32 cents per six pack. A special tax rate of $7 per barrel on the first 60,000 barrels applies to brewers who produce less than two million barrels a year.

Wine Tax: Federal excise tax on wine is as follows:

	Per Gallon	Per 850 ml Bottle
14% Alcohol or Less	$1.07	21 cents
Over 14% to 21%	$1.57	31 cents
Over 21%	$3.15	62 cents
Naturally Sparkling	$3.40	67 cents
Artificially Carbonated (Sparkling Wine)	$3.30	65 cents

History of Major Changes

Distilled Spirits Tax

1933 – Tax first imposed on distilled spirits that are not over 100 proof at the rate of $1.10 per gallon on 12/5/33.

1939 – Tax increased to $1.25 on 10/1/39 on 100 proof or less.

1955 – Tax increased to $1.50 on 7/1/55 on 100 proof or less.

1982 – Revenue accounted for on an accrual basis (previously on a cash basis).

1991 – Requirement for distilled spirits excise tax stamps repealed.

1992 – Distribution of revenues to the subdivisions repealed.

Beer Tax

1936 – Beer tax first imposed at the rate of 2.4375 cents per gallon on 4/1/36.

1938 – Rate increased to 3 cents per gallon on 10/1/38.

1972 – Rate increased to 9 cents per gallon on 7/1/72.

1982 – Revenue accounted for on an accrual basis (previously on a cash basis).

1992 – Distribution of beer tax revenues to the subdivisions repealed.

2000 – Hard cider is considered as beer, effective 10/1/00.

Wine Tax

1935 – Wine tax imposed at the rate of 20 cents per gallon on 4/1/35; prior to that date, a tax was levied on sparkling and fortified wines at the same rate as distilled spirits (i.e., $1.10 per gallon).

1972 – Rate increased to 40 cents.

1982 – Revenue accounted for on an accrual basis (previously on a cash basis).

Sections of the Maryland Annotated Code

Tax – General Article, Titles 2, 5, and 13

Chapter 8. Death Taxes

Inheritance Tax

Taxpayer

Every executor, administrator, trustee, agent, fiduciary, or other person making a distribution of property subject to the inheritance tax is charged with payment of the tax before making distribution to the person entitled to the property. When there is no person making distribution, the person receiving the property is responsible for payment of the tax.

Tax Base

The tax is imposed on the privilege of receiving property that passes from a decedent and has a taxable situs in the State.

The tax is imposed on property that passes at or after the death of an individual by will, under Maryland's laws of intestacy, by trust, or otherwise. The tax applies to all equitable interests owned by the decedent which may be passed on to heirs. These interests include joint tenancies, life estates, remainder interests, transfers made in contemplation of death, or transfers in which the decedent retained any beneficial interest.

Valuation of Base

Within three months of appointment, every personal representative must submit to the Register of Wills:

- an "Inventory" report showing the value of all assets in the probate estate including all interests in real property, tangible personal property, bank accounts, stocks, bonds, debts due the decedent, and all other interests; and

- an "Information" report showing: (1) all nonprobate property in which the decedent had an interest as joint owner (other than with the surviving spouse); (2) transfers made within two years of death; and (3) any interest in an annuity, a public or private pension plan, and any other less than absolute interest such as a life estate or remainder interest, in trust or otherwise.

In estates where there is no formal administration, the person(s) receiving the property must file an Application to Fix Inheritance Tax on Nonprobate Assets within three months of the date of death.

Tax Rates

The inheritance tax is imposed on the "clear value" of estate assets. This equates to the market value of the assets less expenses.

Lineal (Direct) Inheritance Tax Rate

For decedents dying on or after July 1, 2000, property that passes to lineal beneficiaries or siblings of the decedent is exempt from the inheritance tax.

Until July 1, 1999, the lineal tax was imposed at a rate of 1 percent on property passing to or for the use of a parent, grandparent, stepparent, spouse, child, stepchild, or other lineal descendant of a decedent. This rate also applied to transfers to a corporation if all of the stockholders are lineal relations.

For decedents dying from July 1, 1999, to June 30, 2000, lineal beneficiaries were taxed at a 0.9 percent rate, while siblings of decedents were taxed at a 5 percent rate.

Collateral Inheritance Tax Rate

The tax is imposed at a rate of 10 percent on property passing to any person or entity that does not qualify for an exemption.

Exemptions

The inheritance tax does not apply to:

- property passing to lineal beneficiaries or siblings of decedents;
- the first $500 for perpetual upkeep of a grave;
- transfers to bona fide charitable, scientific, educational, religious, or literary institutions (organizations exempt from taxation under Section 501(c)(3) of the Internal Revenue Code);
- distributions to any one person of $1,000 or less;

- "small estates" whose value is $30,000 or less (subject to administration under the Estates and Trusts Article, Title 5, Subtitle 6);

- the receipt of an annuity under a pension plan, if the annuity is not taxable for federal estate tax purposes;

- proceeds of a life insurance policy payable to any beneficiary other than the estate of the insured;

- except for the receipt of tangible personal property that has situs in Maryland, the receipt of personal property that passes from a nonresident decedent if, at the time of death, the decedent is a resident of a state or foreign country whose law, on the date of the decedent's death, does not impose death taxes on the receipt of similar personal property of a resident of this State or contains a reciprocal exemption from death taxes similar to the exemption allowed under this subsection;

- the receipt of property passing from a decedent to the State, its counties, or its municipal corporations; and

- income on probate assets after the death of the decedent.

Payment Dates

In general, the inheritance tax is due when the Register of Wills determines the amount due, at the time that the personal representative accounts for the distribution of property of the estate. If an estate is administered under modified administration, the tax is due when the personal representative files the final report.

Administration of Tax

Administration/Collection Responsibility

The Register of Wills or the orphans' court of the subdivision where the decedent resided at the time of death collects the inheritance tax or, if there is no formal administration of the estate and there is real property, the Register of Wills in the county where the real property is located collects the tax. If the decedent is not a Maryland resident, the Register of Wills in the county where the largest part of estate assets is located collects the tax.

Costs

The Register of Wills' office retains a 25 percent commission from the inheritance tax collected for administrative costs.

Fines, Penalties, and Interest

Interest on unpaid inheritance tax is assessed at a rate of 3 percent above the prime rate, but not less than 13 percent, and begins:

- 30 days after the date on which the tax is determined;
- on the original due date, if there is no formal administration of the estate and the tax is not paid within 30 days after the date on which the tax bill is mailed; or
- 30 days after the original due date, if an alternative payment schedule for inheritance tax is allowed.

Local Taxing Authority

None.

Revenues

See Exhibit 8.1.

Distribution of Revenues

After a 25 percent commission allowance, each register must file a monthly report with the Comptroller and remit the revenues for credit to the general fund. Any refunds must be certified by the Comptroller.

Trends

Inheritance tax revenue fluctuates due to its dependence on estate size and type of distribution but has been decreasing as a result of the repeal of the lineal tax and tax on siblings.

Exhibit 8.1
Maryland Inheritance Tax Revenues
(Direct and Collateral)
Fiscal 1975 – 2003
($ in Millions)

Fiscal Year	Direct Net Revenues[1]	Collateral Net Revenues[1]	Total[2]	% Change[3]
1975	$ 2.9	$ 6.3	$ 9.2	---
1980	4.2	12.0	16.3	12.1
1985	7.6	21.3	28.9	12.1
1990	12.0	32.9	44.9	9.2
1995	16.2	40.6	56.8	4.9
1996	18.4	41.8	60.2	6.0
1997	18.2	46.9	65.1	8.1
1998	19.2	48.8	68.0	4.4
1999	22.0	48.0	70.0	2.9
2000[4]	23.1	55.9	79.0	12.9
2001[5]	17.1	48.2	65.3	(17.3)
2002 (est.)	4.0	49.5	53.5	(18.1)
2003 (est.)	2.0	50.1	52.1	(2.6)

[1] Net of Registers of Wills' commissions.
[2] Includes interest and penalties not reflected in individual taxes.
[3] For 1980, 1985, 1990, and 1995, figures reflect average annual change.
[4] For decedents dying between July 1, 1999, and July 1, 2000, the lineal tax rate was reduced to 0.9% and the collateral tax rate for property passing to siblings of a decedent was reduced to 8%.
[5] For decedents dying on or after July 1, 2000, property passing to a lineal beneficiary or sibling of the decedent is exempt from the inheritance tax.

Source: Comptroller of Maryland

History of Major Changes

1844 – Collateral inheritance tax enacted at 2.5 percent.

1860 – Collateral inheritance tax law revised to reflect the basis of the current statutory provisions.

1864 – Collateral tax rate decreased to 1.5 percent.

1880 – Collateral tax rate increased to 2.5 percent.

1908 – Collateral tax rate increased to 5 percent.

1935 – Direct inheritance tax enacted at 1 percent.
– Collateral tax rate increased to 7.5 percent.

1975 – Collateral tax rate increased to 10 percent.

1987 – The minimum size of estates subject to inheritance taxes increased from $10,000 to $20,000 beginning July 1, 1988.

1997 – The minimum size of estates subject to inheritance tax changed to be based on net value rather than gross value.
– With the permission of the taxpayer, the Comptroller of the Treasury and the Registers of Wills can transfer adjustments for refunds between inheritance and estate taxes.
– Estate income exempted from the inheritance tax.
– Most property may be valued by reference to the full cash value of the property for property tax purposes.

1999 – Lineal inheritance tax rate decreased to 0.9 percent.
– Collateral tax rate for siblings of decedents decreased to 5 percent.

2000 – Property passing to lineal beneficiaries or siblings of decedents dying on or after July 1, 2000, exempted from the inheritance tax.
– The minimum size of estates subject to inheritance taxes increased from $20,000 to $30,000 beginning July 1, 2000.

Sections of the Maryland Annotated Code

Tax – General Article, Titles 2, 7, and 13; and Estates and Trusts Article, Title 5, Subtitle 6 and Section 7-307

Estate Tax

Taxpayer

The estate of every decedent (upon the transfer of the estate) for whom a federal estate tax return is required and who at the time of death was either a resident of

Maryland or a nonresident, but whose estate for federal estate tax purposes included an interest in real or tangible personal property in Maryland is required to pay the estate tax.

The federal Economic Growth and Tax Relief Reconciliation Act of 2001, by increasing the unified credit allowed against the federal estate and gift taxes, increased on a graduated basis the value of estates under which there would be no estate tax liability and no federal estate return, providing for the complete elimination of the federal estate tax in 2010. The 2001 federal tax act by its terms sunsets at the end of 2010, so that unless that act is extended, the federal estate will come back into existence in 2011, with the amount effectively exempted by the unified credit equal to $1,000,000. Chapter 440 of 2002 provided that the Maryland estate tax would remain in effect notwithstanding the repeal of the federal estate tax. Under the current state of federal and Maryland law, a Maryland estate tax return is required only if the estate value exceeds the value indicated below:

Year of Death	Value
2002 or 2003	$1,000,000
2004 or 2005	$1,500,000
2006, 2007, or 2008	$2,000,000
2009	$3,500,000

Tax Base

The tax base is the taxable value of the estate as reported on the federal estate tax return. Prior to 2002 the Maryland estate tax "picked up" an amount equal to the maximum credit allowed by the federal government based on that taxable value, reduced in proportion to the amount that any non-Maryland estate bears to the entire estate.

The federal Economic Growth and Tax Relief Reconciliation Act of 2001 phased out and repeals as of 2005 the credit allowed against the federal estate tax for state death taxes paid. Chapter 440 of 2002 decoupled the Maryland estate tax from this provision of the 2001 federal tax act, providing that the Maryland tax is based on the federal credit as in effect before the reduction and repeal of the federal credit. As a result, the Maryland estate tax is determined based on the federal credit allowable as in effect on December 31, 2001.

Valuation of Base

The taxpayer reports the value of the taxable estate on return forms prescribed by the Comptroller from the federal estate tax return that is subject to audit.

The return is submitted to the Register of Wills who certifies to the Comptroller the amount of inheritance tax due. The tax is paid directly to the Comptroller.

Tax Rate

Maryland does not have a specific tax rate. It is equal to the excess of the federal credit for state death taxes paid (as in effect on December 31, 2001) over the aggregate amount of estate, inheritance, succession, collateral, and legacy tax paid for Maryland property to any state or the District of Columbia (including Maryland inheritance tax).

Special Provisions

Exemptions

The Maryland estate tax does not apply to the transfer of personal property in the estate of a nonresident decedent, if at the time of death the decedent is a resident of a state or foreign country whose law when the personal property is transferred: (1) does not impose death taxes on the transfer of similar personal property of a resident of this State; or (2) contains a reciprocal exemption from death taxes similar to this exemption excluding a transfer of tangible personal property that has a taxable situs in this State.

Tax Credits

The inheritance tax paid is in effect a dollar for dollar credit against the Maryland estate tax liability. Death tax paid to another state, if paid on part of the Maryland estate, also serves to reduce the Maryland estate tax liability dollar for dollar.

Payment Dates

The Maryland estate tax return is due nine months from date of death of the decedent. The Comptroller is authorized to grant an alternate payment schedule.

Administration of Tax

The Revenue Administration Division, Comptroller of Maryland, which administers the tax, has a total fiscal 2003 appropriation of $36.5 million. The cost of administering the tax is not specifically identified in the budget of the Comptroller.

Fines, Penalties, and Interest

Underpayment of tax – interest assessed at a rate of 3 percent above the prime rate, but not less than 13 percent, as determined by State law.

Failure to pay tax when due – a penalty not exceeding 10 percent of the unpaid tax.

Fraudulent returns or fraudulent failure to file a return – a penalty not exceeding 100 percent of the underpayment of the tax.

Local Taxing Authority

None.

Revenues

See Exhibit 8.2.

Distribution of Revenues

Revenues are distributed to the general fund.

Trends

Estate tax revenue collections are erratic due to their dependence on estate size and type of distribution. Estate tax revenues have grown dramatically over the past several years, partly due to changes to the Maryland inheritance tax. The elimination of the inheritance tax on lineal relations and siblings of decedents, while decreasing inheritance tax revenues, has served to boost Maryland estate tax revenues. Future growth in estate tax revenues is difficult to predict, particularly in light of the phased increases in the amount effectively exempted from the tax under federal law.

Exhibit 8.2
Maryland Estate Tax Revenues
Fiscal 1970 – 2003
($ in Millions)

Fiscal Year	Net Revenues[1]	% Change[2]
1970	$ 4.5	---
1975	5.2	2.9
1980	4.4	(3.3)
1985	7.5	11.3
1990[3]	35.5	36.5
1995	33.9	0.9
1996	50.2	48.1
1997	33.6	(33.1)
1998	58.7	74.7
1999	58.6	(0.2)
2000[4]	77.4	32.1
2001[4]	103.3	33.4
2002 (est.)	117.3	13.6
2003 (est.)	106.9	(8.9)

[1] Net of refunds, but includes interest.
[2] For 1975, 1980, 1985, 1990, and 1995, figures reflect average annual change.
[3] For decedents dying on or after July 1, 1989, the due date changed from 15 months to 9 months after death – some of the increase from 1985 to 1990 represents a one-time windfall.
[4] Fiscal 2000 and 2001 increases reflect in part the reduction and elimination of the Maryland inheritance tax on lineal relations and siblings of a decedent. While reducing inheritance tax revenues, these changes increased Maryland estate tax revenues because inheritance taxes paid operate to reduce the estate tax liability.

Source: Comptroller of Maryland

History of Major Changes

1929 – Maryland estate tax enacted equal to the allowable maximum federal credit for State death taxes.

1977 – Unified credit established by federal government.

1981 – Federal Economic Recovery Act set the value of the estates for which there is no estate tax.

1987 – Penalty for late payment of tax imposed.

1989 – Due date of the Maryland estate tax return reduced from 15 to 9 months from date of death.

1997 – With the permission of the taxpayer, the Comptroller of Maryland and the Registers of Wills can transfer adjustments for refunds between estate and inheritance taxes.

2002 – The federal Economic Growth and Tax Relief Reconciliation Act of 2001 phases out and repeals the federal estate tax by the year 2010; Chapter 440 of 2002 partially decouples the Maryland estate tax from these federal changes, maintaining a majority of State estate tax revenues.

Sections of the Maryland Annotated Code

Tax – General Article, Titles 2, 7, and 13

Tax on Commissions of Personal Representative

Taxpayer

The tax on commissions was repealed for estates of decedents dying on or after July 1, 1989. However, the tax still applies to estates of decedents who died prior to July 1, 1989. The personal representative or special administrator appointed by the orphans' court is responsible for paying the tax.

Tax Rates

For estates of decedents dying prior to July 1, 1989, the tax imposed is equal to the greater of:

- 1 percent of the first $20,000 of the estate plus one-fifth of 1 percent (0.2 percent) of the balance of the estate; or
- 10 percent of the total commission allowed.

The tax is due and payable whether or not the personal representative or special administrator waives any right to the commission.

For estates of decedents dying on or after July 1, 1989, there is no tax on commissions.

History of Major Changes

1844 – Tax on commissions enacted and imposed at 0.1 percent of the allowable commission.

1989 – Tax on commissions repealed for estates of decedents dying on or after July 1, 1989.

Sections of the Maryland Annotated Code

Article 81, Section 144; Estates and Trusts Article, Sections 7-307 and 7-601; and Tax – General Article, Title 7, Subtitle 5 (repealed)

Generation-skipping Transfer Tax

Taxpayer

Any trust or decedent's estate that must file a federal generation-skipping transfer tax return for persons dying on or after January 1, 1989, provided the original decedent was either a resident of Maryland or a nonresident whose estate for federal estate tax purposes included an interest in real or tangible personal property located or having situs in Maryland must pay the generation-skipping transfer tax. An example of a "generation skip" for purposes of this tax is when a transferor is the grandparent of the transferee. In effect, the transfer "skips" over a generation (the parents of the grandchild).

Tax Base

The tax base is the value of the property included in a generation-skipping transfer as determined under Subtitle B, Chapter 13 of the federal Internal Revenue Code.

Valuation of Base

The taxpayer reports the value of the generation-skipping transfer on return forms provided by the Comptroller using information obtained from the federal generation-skipping transfer tax return, which is subject to audit.

Tax Rate

The tax rate is the amount set forth in the Internal Revenue Code as the maximum allowable credit for state generation-skipping transfer taxes but may not exceed 5 percent of the federal generation-skipping transfer tax. In effect, like the Maryland estate tax, the State "picks up" the maximum credit allowed by the federal government, thus sharing the federal generation-skipping transfer tax.

Special Provisions

Exemptions

The Maryland generation-skipping transfer tax does not apply to a "direct skip" as defined under the Internal Revenue Code. An example of a "direct skip" for purposes of the generation-skipping transfer tax is when a transferor is the grandparent of the transferee and the transferee's parent, who was the transferor's lineal decedent, was dead at the time of transfer.

Refunds

If there is a decrease in the federal generation-skipping transfer tax due, a taxpayer may file with the Comptroller an affidavit requesting a refund with interest from the date of payment of the Maryland generation-skipping transfer tax.

Deficiencies

If there is an increase in the federal generation-skipping transfer tax due, the taxpayer must file an amended State generation-skipping transfer tax return when the additional federal tax is paid.

Payment Dates

Tax payment must be made to the Comptroller by the filing date for the Maryland return, which is on or before the last day for filing the federal generation-skipping transfer tax return.

Administration of Tax

The Revenue Administration Division, Comptroller of Maryland, which administers the tax, has a fiscal 2003 appropriation of $36.5 million. The cost of administering the tax is not specifically identified in the budget of the Comptroller.

Fines, Penalties, and Interest

Interest on unpaid Maryland generation-skipping transfer taxes, which is assessed at a rate of 3 percent above the prime rate, but not less than 13 percent, begins on the date the Maryland generation-skipping transfer tax return is due and applies to tax that is not paid by that date, including an increase in Maryland generation-skipping transfer tax due to a change in federal generation-skipping transfer tax made after a payment of Maryland generation-skipping transfer tax.

Local Taxing Authority

None.

Revenues

Since the generation-skipping transfer tax only applies to estates of people dying after January 1, 1989, and because it may take many years for multiple generation trusts and other estate planning tools to mature, revenue collections have been negligible to date. Total collections are minimal, approximately $18,400 for fiscal 2002.

Distribution of Revenues

Revenues are distributed to the general fund.

Trends

Unlike the Maryland estate tax, which is due within nine months of the original decedent's death, generation-skipping transfer taxes may be payable when a transfer is made to a second or third generation at or some time beyond the death of the original decedent.

History of Major Changes

1989 – Maryland generation-skipping transfer tax enacted equal to the maximum federal credit for state generation-skipping transfer taxes.

Sections of the Maryland Annotated Code

Tax – General Article, Titles 2, 7, and 13

Chapter 9. Miscellaneous Taxes

Excise Tax on Vessels

Taxpayer

Persons purchasing a new or used vessel within Maryland to be titled and numbered in the State; persons possessing within Maryland a vessel purchased outside of Maryland to be used principally in Maryland are required to pay an excise tax on these vessels.

Licensed boat dealers must collect the excise tax on all sales of vessels to be titled and numbered in Maryland and on all sales of vessels within the State to be federally documented and principally used in Maryland.

Tax Base

The tax base is the gross purchase price or fair market value of the vessel with a deduction for the value of a trade-in. The gross purchase price, verified by a certified bill of sale, includes the boat, motor, accessories, freight, and make-ready charges. The fair market value is determined by means of a national publication of used vessel values (specifically, the Used Boat Price Guide). A minimum value of $100 applies to all sales.

Valuation of Base

Documentation supporting the value of the vessel and attached to the application for boat certificates, or validation emblems substantiating the value, must be submitted to the Department of Natural Resources.

Tax Rate

Five percent.

Special Provisions

Exemptions

The tax is not required for:

- vessel sales to the U.S. government;

- vessel sales to local political subdivisions and State agencies;
- vessel sales to charitable organizations;
- transfers between members of an immediate family; and
- sales to licensed boat dealers for resale, rental, or lease.

Credit for Collections

The dealer may retain 1.2 percent of the gross tax amount collected, provided that the dealer forwards the tax to the Department of Natural Resources within 30 days of the date of sale.

Refunds

As determined by the department, an overpayment of the excise tax may be refunded.

Payment Dates

Payment is due within 30 days of the sale of the vessel or within 30 days of the date a vessel purchased out-of-state is brought into the State for principal use in Maryland.

Administration of Tax

The Licensing and Watercraft Registration Services unit of the Department of Natural Resources administers and collects the tax and deposits the monies with the Comptroller of the Treasury. The cost of administering the tax is not specifically identified in the budget of the Department of Natural Resources, but the Licensing and Watercraft Registration Services unit has a total appropriation of $3.7 million for fiscal 2003.

Fines, Penalties, and Interest

A 10 percent penalty is assessed against taxes that remain unpaid after 30 days, and interest at the rate of 1.5 percent per month accrues until the tax and penalty are paid.

Local Taxing Authority

None.

Revenues

Exhibit 9.1
Maryland Vessel Excise Tax Revenues
Fiscal 1975 – 2003
($ in Millions)

Fiscal Year	Net Revenues[1]	% Change[2]
1975	3.0	---
1980	3.3	1.9
1985	9.5	23.5
1990	15.1	9.6
1995	14.5	(0.8)
1996	14.6	0.6
1997	16.1	10.3
1998	17.1	6.2
1999	20.8	21.6
2000	22.9	10.1
2001	23.6	3.1
2002 (est.)	21.5	(8.9)
2003 (est.)	23.4	8.8

[1] Net of refunds.
[2] For 1980, 1985, 1990, and 1995, figures reflect average annual increase.

Source: Department of Natural Resources

Distribution of Revenues

Vessel excise tax revenues are credited to the Waterway Improvement Fund, except for $350,000 which is credited to the Boat Act Account for enforcement.

The Waterway Improvement Fund may incur expenditures for the following purposes:

- marking channels and harbors and establishing aids to navigation;

- clearing debris, aquatic vegetation, and obstruction from State waters;
- dredging channels and harbors and construction of jetties and breakwaters;
- constructing marine facilities beneficial to the boating public;
- improving, reconstructing, or removing bridges over waters, if those structures impede the boating public;
- evaluating water-oriented recreation needs and recreational capacities of Maryland waterways and developing comprehensive plans for waterway improvements;
- providing matching grants to local governments for the construction of marine facilities that promote safety of life and property; and
- boat safety and education.

Trends

The 5 percent vessel excise tax, which is in lieu of the sales and use tax, has been maintained at the same rate to conform with the sales and use tax rate. Revenues declined during the early 1990s with the general economic slowdown. During the mid-to-late 1990s, revenues increased strongly, but revenues are expected to fluctuate for fiscal 2002 and 2003.

History of Major Changes

1965 – Title tax imposed on vessels at the rate of 3 percent.

1973 – Tax increased to 4 percent on July 1, 1973.

1977 – Tax increased to 5 percent on July 1, 1977.

1986 – Sales and use tax on vessel sales repealed for sales subject to payment of excise tax on vessels to the Department of Natural Resources (i.e., consolidated the authority for the collection of the tax within one department – Department of Natural Resources).

1998 – The gross purchase price of a vessel can be reduced by the value of a trade-in for purposes of calculating the tax.

Sections of the Maryland Annotated Code

Natural Resources Article, Title 8, Subtitle 7

Horse Racing Taxes

Taxpayer

Any licensed person, association, or corporation conducting racing within the State must pay horse racing taxes.

Tax Base

Each racing association pays to the Maryland Racing Commission a tax at the rate specified below on the total amount of money wagered on all races for each day of racing.

Valuation of Base

The amount wagered on races (i.e., the handle) is reported on forms provided by the Maryland Racing Commission.

Tax Rates

Track	Tax Rate on Money Wagered
Thoroughbred Mile: Laurel, Pimlico	0.32 percent of amount bet
Thoroughbred Half-mile: Timonium	3.5 percent of amount bet, but no tax during State Fair (racing has taken place only during State Fair since 1985, therefore no State tax has been paid these years)
Harness: Rosecroft, Ocean Downs	0.32 percent of amount bet
Fair Hill	8.0 percent of amount bet

Special Provisions

Maryland-Bred Fund

The Maryland-Bred Fund consists of revenues generated from 5 percent of the breakage (the odd cents left over after paying the successful bettors to the nearest $0.10) plus a percentage of the amounts wagered as follows:

Track	% of Amount Wagered
Thoroughbred Mile	1.1
Thoroughbred Half-mile	1.5

The fund is administered by the Maryland Racing Commission in the Department of Labor, Licensing, and Regulation, with the assistance of an advisory committee. The fund supports the Maryland-Bred Race Program.

Maryland Standardbred Race Fund

The Maryland Standardbred Race Fund consists of revenues from the following sources:

- uncashed parimutuel tickets from bets made into the pools of harness licensees;
- 50 percent of the breakage if the average handle exceeds $150,000;
- nomination, sustaining, declaration, and stallion registration fees; and
- a percentage of the licensee's takeout share, based on the takeout share amount and the type of pool, as follows:
    - if the licensee's takeout share is less than $150,000, or on the first $125,000 if the licensee's takeout share is greater than $150,000:
        - 0.5 percent of single and two horse multiple bets; and
        - percent of three horse multiple bets; or
    - if the licensee's takeout share is greater than $150,000, on the amount that exceeds the first $125,000:
        - percent of single and two horse multiple bets; and

- 1.5 percent of three horse multiple bets.

The fund is administered by the Maryland Racing Commission with the assistance of an advisory committee. The fund supports two programs, the Foaled Stakes Program and the Sires Stakes Program.

Payment Dates

The thoroughbred licensees must pay to the Maryland Racing Commission the tax due within three days after each day of racing.

The harness licensees must estimate the tax on money wagered due to the State each day. The first payment is due 33 days after the start of the meeting and includes the estimated tax for the first 30 days. Thereafter, the tax for any day must be paid to the commission no later than 72 hours after the close of racing for that day and the total tax due for the meeting must be paid within five days of the close of the meeting.

Administration of Tax

Administration/Collection Responsibility

The Maryland Racing Commission in the Department of Labor, Licensing, and Regulation is responsible for the administration and collection of the taxes. Revenues are turned over to the Comptroller of the Treasury for distribution.

Costs

The cost of administering the tax is not specifically identified in the budget. The fiscal 2003 appropriation for the Division of Racing, which administers the tax, is approximately $9.4 million.

Local Taxing Authority

None.

Revenues

Maryland horse racing revenues are generated from several sources, including taxes on betting and certain licenses. Exhibit 9.2 shows the historical revenues from these sources.

Exhibit 9.2
Maryland Horse Racing Revenues from Betting Taxes and Licenses
Fiscal 1975 – 2003

Year[1]	Betting Taxes	Track Licenses	Occupational Licenses	Total	% Change[2]
1975	$18,652,853	$267,500	$103,294	$19,023,647	---
1980	16,284,351	268,000	139,148	16,691,499	(2.6)
1985	8,433,187	162,175	185,080	8,780,442	(12.1)
1990	3,096,859	14,275	179,492	3,290,626	(17.8)
1995	2,820,126	14,125	287,390	3,121,641	(1.0)
1996	3,041,596	15,975	294,150	3,351,721	7.4
1997	2,448,192	15,675	289,710	2,753,577	(17.8)
1998	1,743,488	19,000	258,155	2,020,643	(26.6)
1999	1,571,468	22,175	268,991	1,862,634	(7.8)
2000	1,760,997	24,575	291,965	2,077,537	11.5
2001	1,743,438	22,675	288,200	2,054,313	(1.1)
2002 (est.)	1,830,000	22,500	290,000	2,142,500	4.3
2003 (est.)	1,760,000	22,500	260,000	2,042,500	(4.7)

[1] For 1975 through 2001, the basis for the numbers is the calendar year ending December 31. For 2002 and 2003, the numbers are the fiscal year estimates. Betting tax rates and track license fees were significantly reduced as a result of legislation enacted in 1985. Legislation enacted in 1997 and 1998 reduced the tax rate further.
[2] For 1980, 1985, 1990, and 1995, figures reflect average annual change.

Source: Maryland Racing Commission; Department of Legislative Services

Distribution of Revenues

All revenues from the taxes and license fees are credited to a special fund, from which the Comptroller makes the following distributions:

- $825,000 to the Maryland Agricultural Fair Board (for promotion of fairs and exhibits);
- $500,000 for the Maryland Million; and
- for as long as the Maryland State Fair remains at the Timonium Fairgrounds location:
    - $500,000 to the Maryland State Fair and Agricultural Society, Inc. (for promotion and enhancement of the fair);

- $50,000 to Baltimore County (to replace former revenues);
- $100,000 to Prince George's County (to replace former revenues from the admissions and amusements tax);
- $40,000 to the Great Frederick Fair to support exhibition harness races;
- $75,000 to the Maryland Agricultural Education Foundation;
- $20,000 to the Great Pocomoke Fair; and
- impact aid: To assist services and facilities for communities within two miles of the Pimlico racetrack and three miles of the Laurel racetrack, there is impact aid for live racing. For each day training facilities are open at the Bowie Training Center, the City of Bowie receives $50 (364 days estimated). In addition, for each day wagering is conducted at a track where live racing is not held, there is impact aid for simulcast wagering. Impact aid is estimated to be made to communities in fiscal 2003 as follows:
-

Baltimore City	$585,200
Anne Arundel County	420,000
Howard County	105,000
Prince George's County	100,000
City of Laurel	63,000
Baltimore County	50,000
City of Bowie	18,200

Other Racing Distributions

Revenues resulting from uncashed harness racing tickets are paid to the Maryland Standardbred Race Fund for the Maryland Sires Stakes Program.

Eight percent of the total amount wagered at the steeplechase races at Fair Hill (approximately $20,000) is paid to the Racing Commission, which distributes it to the Fair Hill Improvement Fund.

Remaining revenues are distributed to the general fund.

History of Major Changes

1920 – Local laws controlling racing repealed, State control established, and Maryland Racing Commission created.

1933 – State tax on racing imposed at 1 percent on betting at mile tracks.

1937 – State tax imposed on half-mile tracks at 1 percent of betting over $500,000, plus 5 percent on net revenues from racing.
– State tax imposed at 1 percent on betting at harness tracks.

1946 – A schedule of distribution of State revenues from racing established to divide the revenues with the counties and municipalities.

1985 – Major racetrack legislation enacted which effectively eliminated most State tax revenues from racing.

1988 – Authorized intertrack wagering between mile thoroughbred tracks.
– Delmarva Downs able to take wagers on live thoroughbred races.
– Authorized certain thoroughbred tracks to conduct wagering on races simulcast from tracks outside of Maryland if the simulcast race is of national or local significance with a purse in excess of $50,000.

1990 – Authorized harness racetracks to conduct intertrack wagering between themselves and broadened intertrack wagering between the thoroughbred track in Laurel and harness tracks.
– All uncashed parimutuel tickets from harness tracks are payable to the Maryland Standardbred Fund Sire Stakes Program.

1992 – Off-track betting authorized and requirements for simulcast racing repealed.

1997 – State wagering tax rate reduced to 0.32 percent until May 31, 1998.

1998 – State wagering tax rate reduction to 0.32 percent extended until June 30, 1999, and, for fiscal 1998 and 1999, monies remaining in the special fund at the end of the year are to be distributed to the bred funds rather than the general fund.

1999 – State wagering tax rate reduction to 0.32 percent extended until June 30, 2000, and, for fiscal 1999 and 2000, monies remaining in the special fund at the end of the year are to be distributed to the bred funds rather than the general fund.

2000 – State wagering tax rate reduction to 0.32 percent extended permanently.

Sections of the Maryland Annotated Code

Business Regulation Article, Title 11

Boxing and Wrestling Tax

Taxpayer

Boxing and wrestling promoters who conduct professional boxing, kickboxing, and wrestling events in Maryland are required to pay the boxing and wrestling tax. Also paying this tax are promoters who promote closed-circuit boxing, wrestling, and kickboxing events and organizations that offer boxing, wrestling, and kickboxing events on a pay-per-view basis.

Tax Base

The tax base is the gross receipts from: (1) charges for admission to live or closed-circuit boxing, kickboxing, or wrestling events; and (2) charges to view boxing, kickboxing, or wrestling events on a pay-per-view basis.

Valuation of Base

The valuation of the base is as reported by the taxpayer on returns filed with the Comptroller of the Treasury.

Tax Rate

If gross receipts from charges to view a telecast of boxing, kickboxing, or wrestling are subject to the sales and use tax, the boxing and wrestling tax rate is reduced by the amount of the sales and use tax so that the total tax does not exceed 10 percent.

The tax rate is the greater of 10 percent of the gross receipts or $200 for charges for admission to a boxing or wrestling contest, or for the sale of broadcast rights to a boxing or wrestling contest.

For contests conducted by the Maryland National Guard or a post of the Veterans of Foreign Wars or the American Legion in Allegany County, the rate is 5 percent of the gross receipts for charges for admission to a boxing or wrestling contest.

Exemptions

The tax does not apply to an intercollegiate, interscholastic, or intramural boxing contest held on the campus or under the auspices of a college, high school, or university in the State; or an amateur boxing or wrestling contest held under the auspices of the United States of America Amateur Boxing Federation or the Young Men's Christian Association.

Payment Dates

Taxpayers must file a monthly admissions and amusement tax return with the Comptroller of the Treasury, accompanied by any payment due.

Administration of Tax

The boxing and wrestling tax is administered by the Comptroller of the Treasury. Collections are handled by the Revenue Administration Division, while the Compliance Division enforces the tax. The cost of administering the tax is not specifically identified in the budget of the Comptroller of the Treasury. The Revenue Administration Division, which administers the tax, has a fiscal 2003 appropriation of $36.5 million.

Fines, Penalties, and Interest

Unpaid taxes – a maximum penalty of 10 percent.

Underpayment of tax – interest assessed at a rate of 3 percent above the prime rate, but not less than 13 percent, as determined by State law.

Local Taxing Authority

None.

Revenues

Exhibit 9.3
Boxing and Wrestling Tax Revenues
Fiscal 1975 – 2002

Fiscal Year	Tax	% Change[1]
1975	$107,336	---
1980	179,624	10.8
1985	290,830	10.1
1990	248,078	(3.1)
1995	132,800	(11.7)
1996	393,700	196.4
1997	507,500	28.9
1998	476,900	(6.0)
1999	842,900	76.7
2000	685,100	(18.7)
2001	600,700	(12.3)
2002 (est.)	383,400	(36.2)

[1] For 1980, 1985, 1990, and 1995, figures reflect average annual change.

Source: Comptroller of the Treasury

Distribution of Revenues

All tax revenues, interest, and penalties are credited to the general fund.

Trends

In the late 1980s, boxing, kickboxing, and wrestling promoters discovered the pay-per-view technology of cable and satellite television services. The explosion of pay-per-view programming of these events replaced live events and is currently the primary source of the boxing and wrestling tax.

History of Major Changes

1920 – Commission was created and granted authority to administer the boxing and wrestling tax.

– The tax was established as 10 percent of the gross receipts from tickets sold to boxing and wrestling events.

1951 – Commission granted legislative authority to collect 10 percent of the gross receipts from the sale of television, radio, or motion picture rights to boxing and wrestling events.

1961 – Taxing authority extended to apply to closed-circuit or subscription television.

1984 – Taxing authority extended to boxing and wrestling events shown on a pay-per-view or pay-per-occasion basis through any medium.

1989 – Repeal of tax on broadcast rights to a boxing or wrestling contest.

1993 – Tax rate on pay-per-view events adjusted by reducing the 10 percent boxing and wrestling tax rate by the sales and use tax rate applied to the event (10 percent total tax per event).
– Boxing and wrestling tax applied to the gross receipts derived from kickboxing events.

1994 – Administration of the boxing and wrestling tax transferred from the State Athletic Commission to the Comptroller of the Treasury.

Sections of the Maryland Annotated Code

Tax – General Article, Titles 2, 6, and 13

Chapter 10. Transportation Revenues

Description of the Transportation Trust Fund

The Transportation Trust Fund (TTF) was created in 1971 as a dedicated fund to pay for the activities of the Maryland Department of Transportation. All department expenditures are made through the TTF and may be used for any lawful purpose related to the exercise of the department's rights, powers, duties, and obligations subject to the appropriation limits approved within the State budget. A portion of the revenues credited to the TTF is shared with local governments and other State agencies. The department's funds are allocated by the Secretary of Transportation and approved by the Governor and the General Assembly.

All or part of the following revenues are used to fund the TTF:

- motor fuel tax revenues;
- motor vehicle excise (titling) tax revenues;
- motor vehicle registration, license, and other fees;
- corporate income tax revenues;
- sales and use tax revenues from short-term motor vehicle rentals;
- bus and rail fares;
- fees from the Port Administration and Aviation Administration;
- federal funds;
- bond proceeds; and
- other miscellaneous sources.

Unspent funds at the close of each fiscal year remain in the TTF and do not revert to the general fund.

Sources and Distribution of Transportation Revenues

Fuel tax and titling tax receipts are the largest nonfederal revenue sources of the TTF. Together, these two sources account for approximately 40 percent of fiscal 2003 revenues. Federal funds (distributions from federal agencies such as the Federal Highway Administration and the Federal Aviation Administration) constitute about 27 percent of fiscal 2003 TTF revenues. Exhibit 10.1 illustrates the estimated contribution of each revenue source in fiscal 2003.

Exhibit 10.1
Sources of Transportation Trust Fund Revenues
Fiscal 2003
($ in Millions)

Source	Revenues (Est.)	% of Total
Motor Fuel Tax	$ 696	21.0
Titling	612	18.8
Registration, MVA Fees, and Other Revenues	336	9.7
Corporate Income Tax	94	2.9
Sales and Use Tax	23	0.7
Operating Revenues	414	9.5
Federal Funds	873	26.9
Bond Proceeds	350	10.8
Total	**$3,248**	**100.0**

Source: Department of Legislative Services, April 2002

By law, a portion of TTF revenues is allocated among the department and local jurisdictions by way of the Gasoline and Motor Vehicle Revenue Account (GMVRA), which consists of portions of the gas, titling, and corporate income taxes and registration fees. The funds are distributed 70 percent to the TTF for use by the department and 30 percent to assist in the development and maintenance of local transportation projects. The local distribution is divided among the counties and Baltimore City, with Baltimore City receiving the greater of $157.5 million or 11.5 percent and the 23 counties receiving the remainder, which is then shared with municipal corporations within each county. Distributions to local jurisdictions are based on their proportion of motor vehicle registrations and county road miles.

Motor Fuel Tax and Motor Carrier Tax

Taxpayer

Motor Fuel Tax: The following persons are subject to the motor fuel tax:

- licensed dealers that import gasoline or aviation fuel into Maryland, or purchase such fuel in Maryland for sale or redistribution at wholesale (under certain conditions);
- licensed special fuel sellers that sell any special fuel on which the motor fuel tax has not been paid; and
- licensed special fuel users that purchase special fuel for use in a motor vehicle.

Motor Carrier Tax: The motor carrier tax is imposed on each motor carrier who operates or causes the operation of a commercial motor vehicle on a highway in the State. A commercial motor vehicle is defined as any motor vehicle used or maintained for the transportation of persons or property that:

- has two axles and an operating or registered gross vehicle weight in excess of 26,000 pounds;
- has three or more axles; or
- is used in combination with another vehicle and has an operating or registered gross vehicle weight in excess of 26,000 pounds.

Tax Base

Motor Fuel Tax: The motor fuel tax is based on the gallons of fuel purchased, plus or minus adjustments (stock loss or gain, temperature adjustments), or fuel consumed less an allowable cost of collection.

Motor Carrier Tax: The motor carrier tax is based on the gallons of fuel used in the operation of a commercial motor vehicle on a highway in the State. In accordance with the International Fuel Tax Agreement, interstate motor carriers pay taxes based on taxable miles traveled in each state or province.

Valuation of Base

All entities subject to the motor fuel tax or the motor carrier tax must file a report with the Motor Fuel Tax Unit of the Comptroller of the Treasury. Motor fuel tax reports, which record gallons of fuel sold, are filed monthly. Motor carrier tax reports, which record miles traveled on Maryland highways, are filed quarterly. All reports are subject to audit by the unit.

Tax Rates

Motor Fuel Tax: The motor fuel tax is imposed at the following rates:

- 23.5 cents per gallon for gasoline and clean-burning fuels;
- 24.25 cents per gallon for all other special fuels (e.g., diesel); and
- 7 cents per gallon for aviation fuel.

These tax rates apply to all dealers, special fuel users and sellers, and motor carriers.

The United States imposes a federal excise tax of 18.4 cents per gallon on gasoline and 24.4 cents per gallon on diesel fuel.

Motor Carrier Tax: The motor carrier tax rate is the motor fuel tax rate for the type of fuel used in the operation of a commercial motor vehicle.

Special Provisions

Discount for Collections

To compensate dealers and special fuel sellers for loss from shrinkage and evaporation and for administrative costs, the law allows dealers and sellers to retain 0.5 percent of the first 10 cents of their fuel tax liability per gallon.

Dealers who make the first sale or distribution of motor fuel (tax paid) share the collection allowance with distributors to whom they sell gasoline by passing along two-thirds of the discount. Distributors in turn share one-third of the collection allowance with retail service station dealers. Dealers or special fuel sellers making the first sale of motor fuel (tax paid) to a retail service station dealer pass along half of the collection allowance.

Exemptions

- *Motor Fuel Tax*: Sales to the federal government; export sales to another state; certain sales to the Washington Metropolitan Area Transportation Authority, Maryland Transportation Authority, and Maryland Transit Administration; motor fuel bought for use by a diplomatic mission or diplomatic personnel; aviation fuel sales to scheduled air carriers; aviation fuel sales to Maryland State and local governments; aviation fuel sales to the federal government; and aviation fuel sales to foreign governments are exempt.

- *Motor Carrier Tax*: Federal government vehicles and recreational vehicles are exempt.

Tax Credits

- *Motor Fuel Tax*: See Discount for Collections.

- *Motor Carrier Tax*: A credit is allowed equal to the amount of motor fuel tax paid by a motor carrier on motor fuel purchased in Maryland.

Decals

Interstate motor carriers must obtain and display a set of International Fuel Tax Agreement decals (two identification markers certifying registration) on each of their commercial motor vehicles operating interstate. There is no cost for the decal. The Motor Fuel Tax Unit of the Comptroller of the Treasury issues a decal set to motor carriers that designate Maryland as their base state under the agreement. Commercial motor vehicles that are tagged in Maryland and operate solely in Maryland are not required to register or to obtain any decals.

Trip Permit Fees

In lieu of the motor carrier tax, motor carriers can elect to obtain a 15-day permit, which carries a fee equal to the current special fuel tax on 174 gallons. Trip permits must be obtained for each commercial motor vehicle. No reports of mileage are required.

Refunds

Motor fuel tax refunds may be obtained for nonhighway use, except for gasoline used in pleasure boats. Refunds may also be obtained for taxes paid on fuel used in the following:

- any vehicle operated by a volunteer fire company or volunteer rescue squad;
- any vehicle owned and used by a Maryland Chapter of the American Red Cross;
- any vehicle used by a bona fide unit of a national veterans' organization;
- certain public transit and paratransit systems based in the State; and
- vehicles used to perform specific diplomatic missions.

A refund is also available for any Maryland tax paid on motor fuel that is lost due to fire, collision, or casualty or any fuel exported to another state.

A partial refund is provided for five separate types of power-take-off equipped highway vehicles (concrete mixing, motor fuel delivery, solid waste compacting, well-drilling, and farm fertilizer spreading vehicles).

Aviation fuel tax refunds are available for aircraft manufacturing companies and for aviation fuel used in certain agricultural activities.

Motor carriers may obtain refunds of the motor carrier tax when fuel purchases in Maryland exceed fuel consumed on Maryland highways.

Payment Dates

Motor fuel monthly tax reports, as well as taxes due from dealers, special fuel sellers, and special fuel users, must be received by the last day of the month following the report period, or postmarked two or more days prior to the last day of the month.

Motor carrier quarterly tax reports, as well as taxes due, must be postmarked or received by the last day of the month following the end of the calendar quarter.

Annual motor carrier decals expire December 31 of each year and must be renewed for the next registration year. Under the International Fuel Tax Agreement, there is a two-month grace period for displaying the new year decals for carriers in good standing.

Administration of Tax

The motor fuel and motor carrier taxes are administered by the Motor Fuel Tax Unit of the Comptroller of the Treasury.

Costs

The Motor Fuel Tax Unit will spend an estimated $7.2 million in fiscal 2003 to administer these tax provisions.

Fines, Penalties, and Interest

Late motor fuel reports – a penalty of $10 or 10 percent of the tax due, whichever is greater.

Late motor carrier reports – a penalty of 10 percent of the tax due with a $50 minimum.

Fraudulent reports – a penalty of 100 percent of the tax due.

Late or underpayments of the motor fuel tax – interest is assessed at 3 percent above the prime rate but not less than 13 percent, as determined by law.

Local Taxing Authority

None.

Revenues

See Exhibit 10.2

Exhibit 10.2
Maryland Motor Fuel Tax and Motor Carrier Tax Revenues
Fiscal 1975 – 2003

Fiscal Year	Tax Rate* (¢ per Gallon)	Net State Revenues ($ in Millions)[1]	% Change[2]
1975	9.0	$177.1	---
1980	9.0	187.3	1.1
1985[3]	13.5	310.3	10.6
1990[4]	18.5	455.6	8.0
1991	18.5	446.8	(1.9)
1992[5]	18.5	468.1	4.8
1993	23.5	564.8	20.7
1994	23.5	593.8	5.1
1995	23.5	605.9	2.0
1996	23.5	608.0	0.3
1997	23.5	615.6	1.2
1998	23.5	626.7	1.8
1999	23.5	680.3	8.6
2000	23.5	646.5	-5.0
2001	23.5	687.0	6.3
2002 (est.)	23.5	700.3	1.9
2003 (est.)	23.5	709.5	1.3

* Tax rate is rate per gallon for gasoline. Net State revenues include all motor fuel and motor carrier tax revenues.
[1] Net of refunds.
[2] For 1980, 1985, and 1990, figures reflect average annual change.
[3] The tax rate increased from 9 to 11 cents on 6/1/82 and to 13.5 cents on 6/1/83.
[4] The tax rate increased from 13.5 to 18.5 cents on 6/1/87.
[5] The tax rate for gasoline increased from 18.5 to 23.5 cents on 5/1/92; the tax rate for special fuel increased from 18.5 to 19.25 cents on 5/1/92, to 21.75 cents on 1/1/93, and to 24.25 cents on 7/1/93; the tax rate for aviation fuel increased from 5 to 7 cents on 5/1/92.

Source: Maryland Department of Transportation, Summer 2002

Distribution of Revenues

Motor Fuel Tax: Motor fuel tax revenues are distributed as follows:

- reserves are set aside for refunds relating to the motor fuel and motor carrier taxes;

- a proportionate share of the cost of administration is distributed to an administrative cost account;

- the net proceeds of the aviation fuel tax (receipts less refunds) are credited to the TTF;

- fuel tax revenues that are attributable to the portion of the rate that exceeds 18.5 cents per gallon are distributed to the GMVRA; and

- the remainder each month is distributed to the following:

  - 0.3 percent to the Waterway Improvement Fund;

  - 0.3 percent to the Fisheries Research and Development Fund;

  - 2.3 percent to the general fund for Chesapeake Bay related programs; and

  - the balance to the GMVRA, which is divided among the Department of Transportation (70 percent) and the local jurisdictions (30 percent).

Motor Carrier Tax: Motor carrier tax revenues and trip permit fees are distributed to the GMVRA.

Exhibit 10.3 shows the distribution of projected revenues for fiscal 2003.

Trends

Generally, revenues from fuel taxes grow slowly, primarily because they are not inflation sensitive. Because the fuel tax is a flat fee, levied per gallon, revenues are driven by the consumption patterns of Maryland residents and not by the relative price level of motor fuel. Increases in motor fuel tax rates provide a one-time boost to revenue attainment but otherwise growth remains relatively flat.

Exhibit 10.3
Distribution of Motor Vehicle Fuel Tax
Fiscal 2003
($ in Millions)

Revenues	Amount (Est.)	Distribution
Gross Receipts	$696.0	
Administration Expenses	(7.2)	
Aviation Fuel Tax	(1.4)	TTF, after Distribution for Administrative Expenses
Motor Carrier Tax, Decals, Temporary Permits, Fuel Receipts Greater than 18.5 Cents per Gallon	(165.4)	GMVRA (70% Department of Transportation; 30% Locals)
Net Revenue Available for Distribution	**$535.5**	
0.3% of Net Revenue Available	(1.6)	Waterway Improvement Fund
0.3% of Net Revenue Available	(1.6)	Fisheries Research & Development Fund
2.3% of Net Revenue Available	(12.3)	General Fund for Bay Projects
Net Motor Fuel Tax Revenues	**$520.0**	GMVRA (70% Department of Transportation; 30% Locals)

Source: Maryland Department of Transportation, Summer 2002

History of Major Changes

1922 – 1 cent per gallon fuel tax introduced.

1924 – Tax rate increased to 2 cents per gallon on 1/1/24.

1927 – Tax rate increased to 4 cents per gallon on 4/1/27.

1947 – Tax rate increased to 5 cents per gallon on 7/1/47.

1953 – Tax rate increased to 6 cents per gallon on 6/1/53.

1957 – Motor Carrier Law enacted.

1964 – Tax rate increased to 7 cents per gallon on 7/1/64.

1969 – Motor Fuel Inspection Law enacted providing for the inspection and testing of motor fuel products.

1972 – Tax rate increased to 9 cents per gallon on 7/1/72.

1978 – Maryland Divestiture Law upheld in the U.S. Supreme Court, precluding producers/refiners from owning and operating retail service stations in Maryland.

1982 – Tax rate increased to 11 cents per gallon on 6/1/82 and decal fee raised to $25 per vehicle.

1983 – Tax rate increased to 13.5 cents per gallon on 6/1/83.

1985 – All sellers of special fuel must be licensed and all special fuel sales are subject to taxation except under specific circumstances, effective 7/1/85. Decal fee for motor buses reduced from $25 to $10.

1987 – Tax rate increased to 18.5 cents per gallon on 6/1/87.

1988 – Motor carrier decal registration fee reduced to $7 effective 6/1/88.

1992 – Increases in all motor fuel tax rates approved at the 1992 Special Session. This legislation:

- increased the gasoline tax rate from 18.5 to 23.5 cents per gallon effective 5/1/92;
- increased the aviation fuel tax rate from 5 to 7 cents per gallon effective 5/1/92;
- increased the special fuel tax rate from 18.5 to 19.25 cents per gallon effective 5/1/92 and from 19.25 to 21.75 cents per gallon effective 1/1/93, with an additional 2.5 cents per gallon increase effective 7/1/93 (for a total of 24.25 cents per gallon by 7/1/93); and
- imposed a 0.75 cent per gallon motor carrier surcharge on gasoline and clean-burning fuel powered vehicles effective 7/1/93.

1994 – Eliminated the 0.75 cent per gallon motor carrier surcharge on gasoline and clean-burning fuel powered vehicles, effective 7/1/94.

1996 – Maryland enters the International Fuel Tax Agreement.

2000 – Eliminated the $7 International Fuel Tax Agreement decal registration fee in an attempt to encourage the use of electronic credentialing through the Commercial Vehicle Information Systems and Networks.

2002 – Altered the motor fuel tax discount from 1 percent of the first 10 cents of fuel tax liability per gallon to 0.5 percent of the first 10 cents.

Comparison with Other States

All 50 states impose a motor vehicle fuel tax. Although some states levy different rates on different fuel types (gasoline, diesel, gasohol, and liquid propane gas), with the exception of gasohol, most states charge a uniform tax rate on all fuel. Exhibit 10.4 illustrates the different fuel tax rates across all 50 states. Tax rates vary widely from a low of 7.5 cents per gallon in Georgia to as high as 32 cents per gallon in Connecticut. As of October 2001, ten states imposed gasoline tax rates higher than Maryland's.

A number of states also apply a sales tax or local option on fuel sales in addition to the cents per gallon tax. This information is provided in Exhibit 10.5.

As seen in Exhibit 10.6, Maryland imposes the third highest tax rate on gasoline and diesel fuel of neighboring states.

Sections of the Maryland Annotated Code

Tax – General Article, Titles 2, 9, and 13

Exhibit 10.4
Tax Rates on Motor Fuel[1]
October 2001

State	Gasoline		Diesel		Liquefied Petroleum Gas		Gasohol[2]		
	Rate	Effective Date	Rate	Effective Date	Rate	Effective Date	Rate	Effective Date	Exemption
Alabama*	18	06/01/92	19	06/01/92	17	06/01/92	18	06/01/92	-
Alaska	8	07/01/61	8	07/01/61	-	-	-	-	8
Arizona*	18	07/01/90	27	07/01/90	18	07/01/90	18	07/01/90	-
Arkansas*	19.5	07/01/99	20.5	04/01/99	16.5	04/01/91	18.6	07/01/96	-
California*	18	01/01/94	18	01/01/94	6	01/01/76	18	01/01/94	-
Colorado*	22	01/01/91	20.5	01/01/92	20.5	01/01/92	22	01/01/91	-
Connecticut*	32	07/01/98	18	09/01/91	-	07/01/96	31	07/01/98	1
Delaware*	23	01/01/95	22	01/01/95	22	01/01/95	23	01/01/95	-
D.C.	20	10/01/94	20	10/01/94	20	10/01/94	20	10/01/94	-
Florida*	13.1	01/01/99	25.1	01/01/99	16.0	01/01/98	13.1	01/01/99	-
Georgia	7.5	07/01/71	7.5	07/01/71	7.5	07/01/71	7.5	07/01/71	-
Hawaii	16	07/01/91	16	07/01/91	11	07/01/91	16	07/01/91	-
Idaho*	25	04/01/96	25	04/01/96	18.1	04/01/96	22.5	07/01/94	2.5
Illinois*	19	01/01/90	21.5	01/01/90	19	01/01/90	19	01/01/90	-
Indiana*	15	04/01/88	16	04/01/88	-	-	15	04/01/88	-
Iowa	20	01/01/89	22.5	01/01/89	20	01/01/89	19	01/01/89	1
Kansas*	20	07/01/99	22	07/01/99	19	07/01/99	20	07/01/99	-
Kentucky*	16.4	07/15/94	13.4	07/15/94	15	07/01/86	16.4	07/15/94	-
Louisiana*	20	01/01/90	20	01/01/90	16	07/01/93	20	01/01/90	-
Maine	19	07/17/91	20	04/01/89	18	07/17/91	19	07/17/91	-
Maryland	23.5	05/01/92	24.25	07/01/93	23.5	07/01/93	23.5	05/01/92	-
Massachusetts*	21	01/01/91	21	01/01/91	8.1	10/01/98	21	01/01/91	-
Michigan*	19	08/01/97	15	01/01/84	15	01/01/84	19	08/01/97	-
Minnesota*	20	05/01/88	20	05/01/88	15	07/01/95	20	05/01/88	-
Mississippi*	18.4	07/01/93	18.4	07/01/93	17	01/01/89	18.4	07/01/93	-
Missouri*	17	04/01/96	17	04/01/96	17	04/01/96	17	04/01/96	-
Montana*	27	07/01/94	27.75	07/01/94	-	-	27	07/01/94	-
Nebraska*	22.8	01/01/99	22.8	01/01/99	22.8	01/01/99	22.8	01/01/99	-
Nevada	24.75	01/01/97	27.75	01/01/97	22	07/01/97	24.75	01/01/97	-
New Hampshire*	19.5	07/01/95	19.5	07/01/95	18	06/16/91	19.5	07/01/95	-
New Jersey*	10.5	07/01/88	13.5	07/01/88	5.25	07/01/88	10.5	01/01/92	-
New Mexico*	18.5	10/01/98	19.5	10/01/98	-	-	18.5	10/01/98	-
New York*	29.3	10/01/99	27.95	10/01/99	-	-	29.3	10/01/99	-

Exhibit 10.4 (continued)

State	Gasoline		Diesel		Liquefied Petroleum Gas		Gasohol[2]		
	Rate	Effective Date	Rate	Effective Date	Rate	Effective Date	Rate	Effective Date	Exemption
North Carolina*	21.2	01/01/99	21.2	01/01/99	21.2	01/01/99	21.2	01/01/99	-
North Dakota*	21	07/01/99	21	07/01/99	21	07/01/99	21	07/01/99	-
Ohio*	22	07/01/93	22	07/01/93	22	07/01/93	22	07/01/93	-
Oklahoma*	17	07/01/89	14	07/01/89	17	07/01/89	17	07/01/89	-
Oregon*	24	01/01/93	24	01/01/93	24	01/01/93	24	09/01/93	-
Pennsylvania*	25.9	05/01/97	30.8	10/01/97	18.9	10/01/97	25.9	10/01/97	-
Rhode Island*	29	07/08/94	29	07/08/94	29	07/08/94	29	07/08/94	-
South Carolina	16	01/01/89	16	01/01/89	16	01/01/89	16	01/01/91	-
South Dakota*	22	04/01/99	22	04/01/99	20	04/01/99	20	04/01/99	2
Tennessee*	20	04/01/89	17	04/01/90	14	04/01/89	20	04/01/89	-
Texas*	20	10/01/91	20	10/01/91	15	01/01/87	20	10/01/91	-
Utah*	24.5	07/01/97	24.5	07/01/97	24.5	07/01/97	24.5	07/01/97	-
Vermont*	20	08/01/97	17	07/01/89	-	-	20	08/01/97	-
Virginia*	17.5	07/01/92	16	07/01/92	10	01/01/94	17.5	07/01/92	-
Washington*	23	04/01/91	23	04/01/91	-	-	^23	05/01/94	-
West Virginia*	25.35	05/01/93	25.35	05/01/93	25.35	05/01/93	25.35	05/01/93	-
Wisconsin*	25.4	04/01/98	25.4	04/01/98	25.4	04/01/98	25.4	04/01/98	-
Wyoming*	14	07/01/98	14	07/01/98	-	-	14	07/01/98	-
Mean	20.17		20.37		14.80		19.87		
Weighted Avg.	19.29		19.96		14.28		20.40		
Federal Tax	18.4	10/01/97	24.4	10/01/97	13.6	10/01/97	13.0	10/01/97	5.4

[1] This table shows motor fuel tax rates in effect as of October 2001. Only taxes that are levied as a dollar amount per volume of motor fuel are included. Taxes that apply to all petroleum products without distinguishing motor fuel are omitted. Local option taxes are included only when they have been adopted uniformly statewide. For states marked with an asterisk, see the notes below.

[2] The gasohol rates shown are for gasoline blended with 10 percent ethanol.

Additional Information:

Alabama — The gasoline, gasohol, and diesel rates include a 2 cents per gallon inspection fee. Alabama-registered liquid propane gas (LPG) vehicles pay an annual fee based on vehicle type in lieu of the volume tax.

Arizona — The fuel tax on diesel remains at 18 cents per gallon for light and exempt vehicles, but is set at 27 cents per gallon if used to propel a truck with more than two axles or with a declared gross vehicle weight over 26,000 pounds.

Arkansas — The gasoline, gasohol, and diesel rates include 0.2 cents per gallon environmental assurance fee. Applicants for LPG user permits must pay a fee in lieu of the volume tax.

California — LPG users may pay an annual fee in lieu of the volume tax.

Colorado — Owners of LPG vehicles registered in the state must pay an annual fee in lieu of the volume tax.

Exhibit 10.4 (continued)

Connecticut	The tax is computed at 5% of the gross earnings from the first sale of a petroleum product in the state.
Delaware	Rates are variable, adjusted annually.
Florida	Tax rates are variable, adjusted annually. For gasoline and gasohol, in addition to the rates shown, there is a state-imposed State Comprehensive Enhanced Transportation System (SCETS) tax that varies by county from 0 to 5.0 cents per gallon. All counties levy the SCETS tax on gasoline, but a few levy less than the maximum rate. LPG vehicles registered in the state pay an annual fee in lieu of the tax on alternative fuels and the SCETS tax.
Idaho	LPG users may pay an annual fee based on vehicle weight in lieu of volume tax.
Illinois	Motor carriers pay an additional 6.3 cents per gallon on gasoline, 6.5 cents on diesel, and 5.9 cents on LPG.
Indiana	Motor carriers pay an additional 11 cents per gallon. LPG vehicles pay an annual fee.
Kansas	LPG users may pay an annual fee based on mileage and gross vehicle weight in lieu of the volume tax.
Kentucky	Tax rates are variable, adjusted quarterly. A 2% surtax is imposed on gasoline and 4.7% on special fuels for any vehicle with three or more axles. The gasoline, gasohol, and diesel rates include 1.4 cents per gallon petroleum environmental assurance fee.
Louisiana	Owners of LPG vehicles of 10,000 pounds or less gross vehicle weight pay an annual fee based on mileage.
Massachusetts	Tax rates are variable, adjusted quarterly.
Michigan	For vehicles defined under the Motor Carrier Fuel Tax Act, diesel fuel is discounted 6 cents per gallon at the pump and is assessed a 12 cents per gallons surcharge on a quarterly return, with a provision for a 6 cents per gallon refund on fuel purchased in Michigan.
Minnesota	There is a credit to the wholesaler of 15 cents per gallon of alcohol used to make gasohol.
Mississippi	The gasoline, gasohol, and diesel rates include 0.4 cents per gallon dedicated to the Groundwater Protection Trust Fund.
Missouri	LPG vehicles 18,000 pounds or less gross vehicle weight registered in the state pay an annual fee in lieu of the volume tax.
Montana	LPG vehicles registered in the state pay an annual fee based on gross weight in lieu of the volume tax. Out-of-state vehicles purchase trip permits. There is an alcohol distiller credit of 30 cents per gallon of alcohol produced in the state with state agricultural products and used to make gasohol.
Nebraska	Rates are variable, adjusted quarterly. The gasoline and gasohol rates include 0.6 cents per gallon and the diesel rate includes 0.2 cents per gallon petroleum release remedial action fee.
New Hampshire	The gasoline, gasohol, and diesel rates include 0.7 cents per gallon oil discharge and disposal cleanup ree. Alternative fuel vehicles pay twice the usual registration fee in lieu of the volume tax.
New Jersey	In addition to the rates shown, there is a petroleum products gross receipts tax. The tax is computed on a cents-per-gallon basis and is applicable to a wide variety of petroleum products.
New Mexico	The gasoline, gasohol, and diesel rates include the petroleum products loading fee of $150 per 8,000 gallons (1.875 cents per gallon). Owners of LPG-powered vehicles up to 54,000 pounds gross vehicle weight may pay an annual fee in lieu of the volume tax.
New York	Rates are variable, adjusted annually. There is an additional tax on motor carriers of 8.5 cents per gallon of gasoline and 9.6 cents on diesel. Rates include the petroleum business tax of 14 cents per gallon. The gasoline rate includes a 0.5 mill (0.05 cents) per gallon petroleum testing fee.
North Carolina	Rates are variable, adjusted semiannually.
North Dakota	A special excise tax of 2% is imposed on all sales of special fuel (diesel or LPG) that are exempted from the volume tax if the fuel is sold for use in the state. There is a producer credit of 40 cents per gallon of agriculturally derived alcohol produced in the state and used to make gasohol.

Exhibit 10.4 (continued)

Ohio	Commercial vehicles formerly subject to the highway use tax pay an additional 3 cents per gallon. Dealers are refunded 10 cents per gallon of each qualified fuel (ethanol or methanol) blended with unleaded gasoline.
Oklahoma	Rates shown include 1 cent per gallon tax dedicated to the Petroleum Underground Tank Release Environmental Cleanup Indemnity Fund. When the fund reaches a specified balance, future tax revenues will be deposited in a highway fund. The gasoline, gasohol, and LPG rates include 0.08 cent for fuel inspection. LPG users may pay an annual fee in lieu of the volume tax.
Oregon	The diesel and LPG rates shown are paid by users for vehicles not under the jurisdiction of the Public Utility Commissioner. Vehicles under the jurisdiction of the Public Utilities Commissioner and paying motor carrier fees are exempt from payment of the motor fuel tax.
Pennsylvania	The rates include the oil franchise tax for maintenance and construction, a variable rate tax adjusted annually. LPG rate based on gasoline gallon equivalent.
Rhode Island	Rates are variable, adjusted quarterly. Rates include 1 cent per gallon tax for the Underground Storage Tank Financial Responsibility Fund.
South Dakota	There is a credit at the rate of the gasoline tax to distributors blending gasoline with ethanol to produce gasohol. There is also a producer incentive payment of 20 cents per gallon.
Tennessee	LPG users without permits must pay in advance at the beginning of the fiscal year; others pay quarterly. Fee is based on vehicle weight and fuel efficiency. Sales tax rate on aviation fuel is 4.5%.
Texas	Owners of LPG vehicles registered in the state must pay an annual fee in lieu of the volume tax.
Utah	LPG is tax exempt if user purchases annual exemption certificate.
Vermont	Diesel vehicles 10,000 pounds and over pay 26 cents per gallon. LPG vehicles are subject to a registration fee 1.75 times the usual fee. The gasoline, gasohol, and diesel rates include 1 cent per gallon for the Petroleum Cleanup Fund.
Virginia	Vehicles weighting 26,000 pounds or more or having three or more axles pay an additional 3.5 cents per gallon.
Washington	Owners of LPG vehicles pay an annual fee.
West Virginia	Rates are variable, adjusted annually.
Wisconsin	Rates are variable, adjusted annually.
Wyoming	LPG is subject to sales tax. The gasoline, gasohol, and diesel rates include 1 cent for the Underground Storage Tank Corrective Action Account.

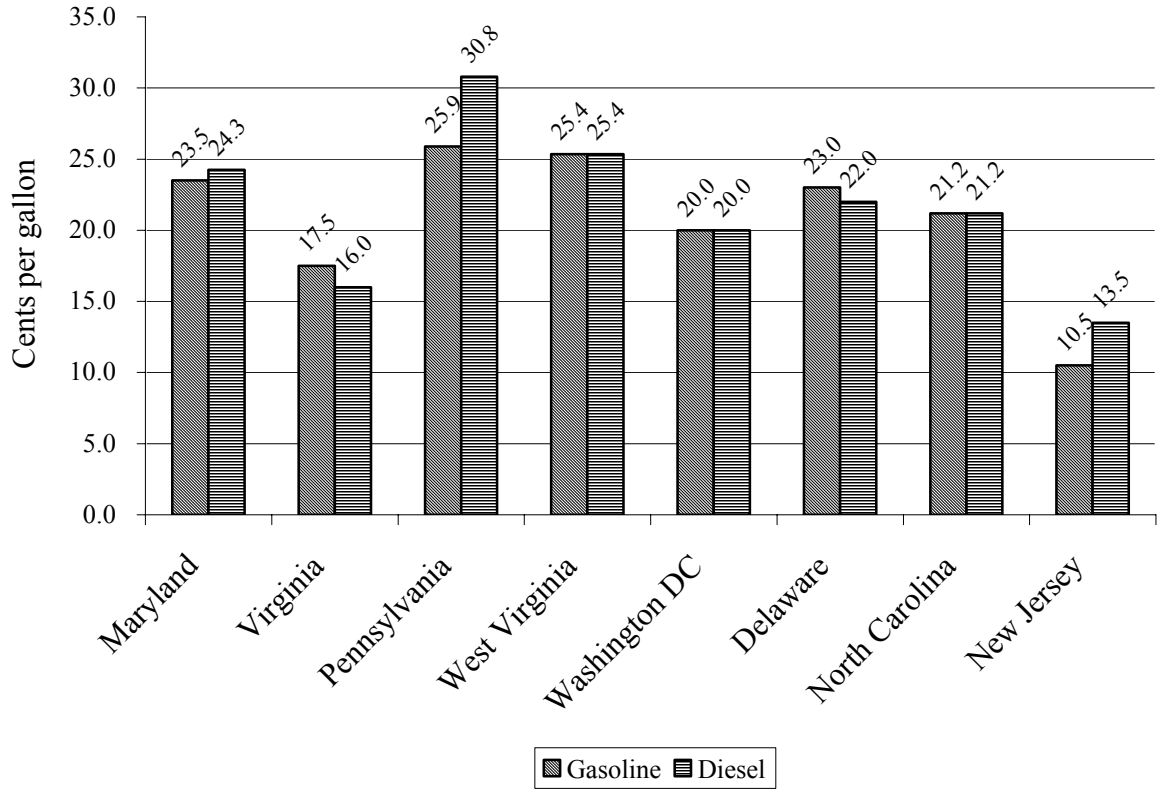
Source: Federal Highway Administration

Exhibit 10.5
Sales Tax
October 2001

State	Percent	Remarks
Arkansas	4.5	Special fuel for municipal buses and gasoline are exempt.
California	6	Applies to sales price including federal and state motor fuel taxes.
Connecticut	5	A petroleum products gross earnings tax is applied to many petroleum products, in addition to the per gallon taxes.
Georgia	4	A 3% "second motor-fuel tax" and a 1% sales tax apply to sales price including federal motor fuel tax.
Hawaii	4	Applies to sales price excluding federal and state motor fuel taxes. Alcohol fuels are exempt.
Illinois	6.25	Applies to sales price excluding federal and state motor fuel taxes. For gasohol, only 70% of the price is subject to sales tax.
Indiana	5	Applies to sales price excluding federal and state motor fuel taxes.
Maine	6	Applies to motor fuel not taxed at the maximum rate for highway use under the volume tax laws.
Michigan	6	Applies to sales price including federal volume tax except when used in a passenger vehicle with capacity of ten or more for hire over regularly scheduled routes in state.
South Carolina	5	Applies to sales price of aviation gasoline only.

Source: Federal Highway Administration

Exhibit 10.6
Comparison of Regional Motor Fuel Tax Rates
October 2001



Source: Federal Highway Administration

Motor Vehicle Excise (Titling) Tax

Taxpayer

An applicant for a Maryland certificate of title for a motor vehicle, trailer, or semi-trailer is required to pay the tax for an original or subsequent title to a vehicle or for certain vehicles in interstate operation.

Tax Base

The tax is applied to the fair market value of the vehicle. Fair market value is defined as:

- for a new or used vehicle sold by a licensed dealer, the purchase price of the vehicle as certified by the dealer;

- for a vehicle less than seven years old and sold by a person other than a licensed dealer, the greater of the notarized purchase price or $500. When no notarized bill of sale exists, fair market value is determined by the purchase price or the value shown in a national publication of used car values (as adopted for use by the Maryland Department of Transportation);

- for a vehicle greater than seven years old and sold by a person other than a licensed dealer, the greater of the purchase price or $640; and

- in any other case, total purchase price or valuation shown in a national publication of used car values. Purchase price is defined as the agreed on price with no allowance for trade-in or nonmonetary consideration.

Valuation of Base

Documents substantiating the fair market value of the vehicle must be provided by the applicant and include the date the vehicle was purchased, the purchase price and other information used in determining the fair market value of the vehicle, and a certified bill of sale (if the tax will be based on the purchase price).

Tax Rate

Applicants pay 5 percent of the fair market value of the vehicle. Trailers are assessed an excise tax of $50.

Special Provisions

Exemptions

Exemptions from the titling tax include:

- a mobile home over 35 feet long;

- a government-owned vehicle (federal, state, or local);

- a vehicle owned by a fire department, a nonprofit rescue squad, the Civil Air Patrol, the Maryland Red Cross, or a national veterans' organization;

- a vehicle registered in a jurisdiction not requiring title and acquired for resale by a dealer, or involuntarily transferred to a dealer where the title is not available;
- a school bus owned by a tax exempt religious organization or private school;
- a privately owned bus used for public transportation on regular schedules and routes;
- a vehicle used to transport the disabled, if owned by certain nonprofit organizations;
- a mobile hearing/vision unit owned by a nonprofit organization;
- a vehicle transferred under certain circumstances, such as:
    - repossession under a security agreement;
    - nonmonetary transfer to certain relatives;
    - transfer to a legal heir;
    - transfer for certain business purposes;
    - a leased vehicle transferred to the lessee at the end of a lease term of at least 180 days;
    - involuntary transfer due to divorce or separation; or
    - a jointly owned vehicle transferred to one of the owners;
- vehicles registered as Class F (tractors) or Class P (passenger bus);
- a vehicle acquired by an insurance company from a comprehensive collision claim;
- a vehicle acquired for resale by a licensed dealer if the dealer reassignment sections contained on the certificate of title are exhausted;
- a Class M motor home or Class G travel trailer that is transferred or retitled in the dealership's name under the Transportation Article, § 15-305(d)(2);

- a salvage vehicle acquired by a licensed dealer that has been restored by the licensed dealer and that has been inspected under the Transportation Article, § 13-507(a)(2)(ii);

- a rental vehicle;

- a special purpose vehicle owned by a coal company used for the transportation of workers, coal, or equipment used in the coal production process and used exclusively on coal mining property; and

- a vehicle otherwise exempt from the titling tax by any other applicable law.

Vehicles Formerly Titled in Another State

If a vehicle was formerly titled in another state and the present owner is a Maryland resident who has not been in the State for more than 60 days and has paid sales or titling tax to the other state, the titling tax is still imposed. However, the owner may credit the out-of-state titling tax against his or her Maryland liability. If the titling tax paid out of state exceeds the owner's tax liability in Maryland, the owner must still remit a $100 minimum to title the vehicle in Maryland.

Discount for Collections

A licensed dealer may retain 1.2 percent of the tax collected for administering and remitting the titling tax.

For fiscal 2003 and 2004 only, Chapter 440 of 2002 reduced the dealer discount by 50 percent, to 0.6 percent of the tax collected.

Refunds

Refunds are made for overpayments of the tax when supported by documentation. In addition, a full or partial refund is paid when the purchase price (or some portion) is refunded or the vehicle is accepted for return by a dealer, manufacturer, factory branch, or distributor or by voluntary agreement.

Tax Credits

If a vehicle was formerly exempt, the tax is reduced by any retail sales tax assessed on the vehicle and paid by the present owner.

A maximum credit of $2000 is allowed for a qualified electric vehicle as defined by the Internal Revenue Service. For qualified hybrid vehicles, which use gasoline or diesel fuel and a rechargeable energy storage system, the maximum tax credit ranges from $250 to $1,000. The total credit depends on the maximum available power from the rechargeable energy storage system and the regenerative braking system.

Payment Dates

The titling tax is due at the time of application (i.e., before issuing the title).

Administration of Tax

The Motor Vehicle Administration (MVA) of the Maryland Department of Transportation is responsible for the administration and collection of the titling tax. The MVA and the Maryland Energy Administration are jointly responsible for administering the qualified electric vehicle and the qualified hybrid vehicles tax credit.

Costs

A portion of the $12.7 million allocated to the Central Operations Unit of the MVA in fiscal 2003 is dedicated to administering the titling tax.

Fines, Penalties, and Interest

For deficiency assessments against dealers, violators are fined an amount equal to the tax due plus a 10 percent penalty and an interest charge of not less than 12 percent or more than 15 percent as determined by State law.

If after ten days from notice a dealer fails to pay a deficiency assessment, an additional penalty of 25 percent may be levied.

Any person who fails to pay the excise tax as required is guilty of a misdemeanor and on conviction is subject to a maximum $1,000 fine.

Local Taxing Authority

None.

Revenues

Titling data and revenue are shown in Exhibit 10.7.

Exhibit 10.7
Maryland Motor Vehicle Excise (Titling) Tax Revenues
Fiscal 1975 – 2003

Fiscal Year	Number of Titles	% Change[1]	Net Revenues[2] ($ in Millions)	% Change[1]
1975	644,892	---	$ 64.3	---
1980	669,702	0.8	127.3	14.6
1985	797,689	3.6	258.7	15.2
1990	828,328	0.8	326.5	4.8
1991	765,689	(7.6)	291.1	(10.8)
1992	745,738	(2.6)	293.6	0.9
1993	738,542	(1.0)	310.0	5.6
1994	813,206	10.1	399.1	28.7
1995	866,151	6.5	438.5	9.9
1996	846,763	(2.2)	459.6	4.9
1997	866,476	2.3	481.0	4.7
1998[3]	875,458	1.0	494.2	2.7
1999	915,228	4.5	535.1	8.3
2000	973,109	6.3	604.5	13.0
2001	963,267	(1.0)	612.8	1.4
2002 (est.)	1,012,000	5.1	653.0	6.6
2003 (est.)	978,000	(3.4)	637.0	(2.5)

[1] For 1980, 1985, and 1990, figures reflect average annual change.
[2] Net of refunds and discounts for collections.
[3] Beginning in 1998, short-term rental vehicles are exempt from the titling tax and 45% of the sales and use tax revenue from short-term vehicle rentals is distributed to the Transportation Trust Fund.

Source: Maryland Department of Transportation, Summer 2002

Distribution of Revenue

The titling tax is distributed as follows:

- 20 percent to the TTF for use by the department; and
- 80 percent to the GMVRA of which:

- 70 percent is distributed to the TTF for the department's use;
- Baltimore City receives the greater of $157.5 million or 11.5 percent of the remainder; and
- the remainder is distributed to the 23 counties and then shared with municipal corporations within each county. Distributions to local jurisdictions are based on their proportion of motor vehicle registrations and county road miles.

Exhibit 10.8 illustrates the distribution of fiscal 2003 estimated revenues.

Exhibit 10.8
Distribution of Titling Tax Revenues
Fiscal 2003
($ in Millions)

	Amount (Est.)	Distribution
Net Revenues*	$637.0	
Less Distributions:		
20% of Proceeds	127.4	TTF
80% of Proceeds	509.6	GMVRA

* Net of refunds and discounts for collections.

Source: Maryland Department of Transportation, Summer 2002

History of Major Changes

1933 – Titling tax rate of 1 percent introduced for use as a general revenue source.

1939 – Tax rate increased to 2 percent.

1947 – Tax revenues allocated to the State Highway Administration and dedicated to transportation uses.

1964 – Tax rate increased to 3 percent.

1969 – Tax rate increased to 4 percent: 3 percent distributed to the State Highway Administration; 1 percent to the general fund.

1971 – TTF established. One percent distribution to the general fund repealed and redistributed to the GMVRA. Established the following distribution of titling taxes within the GMVRA: 65 percent to the trust fund for use by the Department of Transportation, 17.5 percent to Baltimore City, and 17.5 percent to the counties and municipalities.

1978 – Tax rate increased to 5 percent with 20 percent of revenues allocated to the general fund.

1981 – Transportation Revenue Sharing Account (TRSA) established; 20 percent of the titling tax revenues allocated to TRSA (revenues previously distributed to the general fund). TRSA revenues were allocated accordingly: 75 percent to the TTF and 25 percent to Baltimore City and counties.

1985 – Distribution of TRSA revenues altered: 76 percent to the TTF and 24 percent to Baltimore City and counties.

1993 – Distribution of TRSA revenues altered: 76 percent to the TTF and 24 percent to the general fund.

– Increased the sales tax rate for short-term rental of passenger cars and multipurpose vehicles from 8 percent to 11.5 percent.

1994 – TRSA is repealed effective 7/1/95.

1995 – Long-term vehicle leases exempted from the sales and use tax.

1998 – Short-term rental vehicles exempted from the motor vehicle excise tax and distribution of revenues collected from sales and use tax on short-term rental vehicles altered.

2000 – Instituted an excise tax credit for electric vehicles and hybrid vehicles. Also exempted vehicles transferred to a lessee who purchases a vehicle at the end of a lease term from the titling tax.

2001 – Altered distribution of revenues collected from sales tax on short-term vehicle rentals: 100 percent to the TTF. Previously only 45 percent went to the TTF.

2002 – Altered distribution of short-term vehicle rental excise tax revenues back to 45 percent to the TTF and 55 percent to the general fund (reversed 2001 change).

Sections of the Maryland Annotated Code

Transportation Article, Sections 8-402 through 8-405 and Title 13, Subtitle 8

Motor Vehicle Registration, License, and Other Fees

Registration Fees

The State requires all motor vehicles, trailers, and related transportation equipment domiciled within the State to register with the Motor Vehicle Administration. Most vehicles are registered biannually. Vehicles exempt from registration fees generally include those owned by:

- a government agency, including law enforcement vehicles;
- a volunteer fire company or rescue squad or recognized fire buff organization;
- the Civil Air Patrol;
- a national veterans' organization;
- the American Red Cross;
- certain nonprofit organizations;
- certain disabled veterans and their surviving spouses; and
- certain school vehicles.

Normal registration fees are distributed to the GMVRA.

In addition to registration fees otherwise required, an annual surcharge of $11 is imposed for registration of most motor vehicles. This surcharge is distributed to the Maryland Emergency Medical System Operations Fund, which is used to support the State's emergency medical services system.

In addition to the annual registration fee otherwise required, an owner desiring a personalized (vanity) tag pays an additional $25 annual fee. Revenues from vanity tags are distributed as follows:

- $12.50 of the initial annual fee (not renewals) is retained by the department and deposited in the TTF for cost recovery; and
- of the remainder:
    - the first $180,000 is credited to a fund administered by the Maryland Higher Education Commission for use in medical, dental, legal, nursing, and pharmaceutical scholarship programs;
    - the next $200,000 is used solely to fund scholarships within the Distinguished Scholar Program; and
    - the remainder is distributed to the general fund.

Fees from other special registrations, such as Pearl Harbor Survivor tags, commemorative tags, and organizational tags, are paid to the TTF for cost recovery. Generally, the renewal revenues from commemorative tags, such as the Maryland Agriculture Plate created in 2000, are dedicated to a special fund that benefits a specific cause and the initial issuance fee is allocated to the TTF.

License Fees

The MVA collects fees for operating and regulatory licenses. Regulatory licenses are required for car dealers, wreckers, title service agents, driving school instructors, and others. Maryland vehicle operating licenses are required for all operators of motor vehicles within the State except:

- drivers of certain federally owned vehicles;
- members of Congress (except those elected in Maryland);
- drivers of vehicles for "off-highway" use;

- nonresident students;
- new residents for up to 60 days;
- certain members of the armed forces; and
- visitors to the State licensed in other states.

Commercial operator's license fees over and above the base fees, driver's license renewals, and fees collected from the issuance of regulatory licenses are credited to the TTF.

Refer to Appendix 1 of this handbook for information on specific fees and rates.

Miscellaneous Fees

Vehicle Emission Inspection Program Fees

In accordance with the federal Clean Air Act, Maryland requires specified vehicles registered in certain areas of the State to undergo vehicle emissions inspections every two years. The State operates an enhanced emissions testing program that uses a treadmill device known as a dynamometer, which tests for emissions under simulated highway conditions. The program includes the following components:

- roadside testing of diesel vehicles;
- new vehicles less than 24 months old are exempt from testing; and
- individuals aged 70 and over or with certain disabilities who drive less than 5,000 miles each year are exempt from testing.

If a vehicle fails the test, the owner can qualify for a waiver for additional tests if $450 worth of repairs are made to the vehicle within 60 days of the initial test. If the owner fails to comply with a repair order, the MVA may suspend the vehicle registration, and the owner is subject to a federal fine of up to $1,000.

Currently, motorists pay $14 every other year to test their vehicles for excessive pollutants. These Vehicle Emissions Inspection Program fees, expected to total about $17.2 million for fiscal 2003, are retained by the program operator, Environmental Systems Products, Inc., to offset contract costs. Late fees, expected to generate

$4.0 million in fiscal 2003, are used to pay the remaining costs of the contract with the program operator, about $1.5 million to $2 million annually, and to pay part of the State's administrative costs associated with the program.

Security Interest Filing Fees

Security interest filing fees are required for securing the title of a motor vehicle not wholly owned by the purchaser. Revenues are allocated among the MVA, the TTF, and the general fund. Of the $20 fee, $14 is distributed to the general fund, of which $5 is distributed to Baltimore City. The remaining $6 goes to the MVA Assurance Fund, which is used to compensate parties who have suffered a loss as a result of an error made by an MVA employee relating to security interest filing. Any revenues in excess of a $25,000 balance are remitted to the TTF.

Uninsured Motorist Fees

The State penalizes motorists who operate motor vehicles without accident insurance by assessing a $150 penalty for the first 30 days the vehicle is not insured and a $7 daily penalty for each day thereafter. Uninsured motorist fee revenues are distributed according to the following schedule:

- 70 percent is distributed among three special funds (the Vehicle Theft Prevention Fund, the Maryland Automobile Insurance Fund, and the School Bus Safety Enforcement Fund) and the general fund; and

- 30 percent is retained by the TTF.

Salvage Inspection Fees

The MVA collects a salvage inspection fee at the time of titling salvage vehicles. The fee is set at $25, and the revenues are paid into the Vehicle Theft Prevention Fund.

An historical summary of the revenues from motor vehicle registration, license, and other fees is provided in Exhibit 10.9.

Exhibit 10.9
Maryland Motor Vehicle Registration, License, and Other Fees
Fiscal 1975 – 2003
($ in Millions)

Fiscal Year	Registration	License	VEIP	Misc.[1]	Total	% Change[2]
1975	$ 69.7	$ 4.8	---	$ 6.2	$ 80.7	---
1980	81.3	6.3	---	9.8	97.4	3.8
1985	92.8	8.0	$ 1.6	14.6	117.0	3.7
1990	145.6	9.2	4.4	20.6	179.8	9.0
1991	142.3	10.1	3.9	22.2	178.5	(0.7)
1992[3]	144.4	20.1	5.7	50.8	221.0	23.8
1993[4]	190.8	20.9	5.7	49.4	266.8	20.7
1994	146.3	21.8	5.6	53.0	226.7	(15.0)
1995	159.2	23.2	4.5	57.6	244.5	7.9
1996	155.2	19.4	15.5	56.8	246.9	1.0
1997	162.5	19.2	16.6	60.4	258.7	4.8
1998	164.0	15.3	12.1	53.7	245.1	(5.3)
1999	173.5	15.8	15.7	58.6	263.6	7.6
2000	173.5	16.5	15.9	64.8	270.7	2.7
2001	183.1	13.5	4.1	71.8	272.4	0.6
2002 (est.)	184.8	17.8	3.9	74.5	281.0	3.2
2003 (est.)	191.4	22.8	4.0	76.0	294.2	4.7

VEIP: Vehicle Emissions Inspection Program
[1] Does not include learners permits, new drivers licenses, and security interest filing fees.
[2] For 1980, 1985, and 1990, figures reflect average annual change.
[3] Miscellaneous fees increased by 1991 legislation.
[4] Increase reflects adoption of biennial registration system.

Source: Department of Legislative Services

Other Sources of Transportation Trust Fund Revenues

Corporate Income Tax

The TTF receives 24 percent of revenues generated from the corporate income tax. Of the estimated $396.4 million in fiscal 2003 collections, $94.2 million will be allocated to the TTF.

Rental Car Sales Tax

Beginning in 1998 the TTF receives 45 percent of revenues generated from the rental car sales and use tax. In fiscal 2003 an estimated $22.5 million will be allocated to the TTF.

Operating Revenues

The Maryland Transit Administration collects operating revenues from fares, fees, rates, and rentals and other charges for mass transit. Maryland law requires the administration to recover at least 40 percent of the net operating costs for bus and rail service and 40 percent of MARC operating and administrative costs from fares. In fiscal 2003 the administration is expected to collect an estimated $100 million in fees and charges.

The Maryland Aviation Administration collects revenues from charges, rentals, and fees for use of BWI and Martin State airports. In fiscal 2003 the administration is expected to collect an estimated $112 million in charges, rentals, and fees.

The Maryland Port Administration collects operating revenues from rates, fees, rentals, or other charges associated with port operations. In fiscal 2003 the administration is expected to collect an estimated $83 million from these sources.

Investment Income

The Treasurer invests funds of the Maryland Department of Transportation. Interest earned from funds deposited in the common pool is allocated to the department on a pro rata basis.

Reimbursements and Miscellaneous Collections

Reimbursements received by the State, such as reimbursements for the cost of repairing damage done to State property, are another source of TTF revenues. The State Highway Administration received approximately $35 million in reimbursements in fiscal 2002. Miscellaneous sources of other revenue collections include the sale of maps, plans, etc., or sales by the Secretary's Office, which generated approximately $10 million in fiscal 2002. In addition, the administration collects hauling permit fees issued for oversized and overweight vehicles. The administration is expected to collect an estimated $7.5 million in hauling permits in fiscal 2003.

Transfers from the Maryland Transportation Authority

Tolls and other revenues from facilities operated by the Maryland Transportation Authority are pledged as security for revenue bonds of the authority issued under and secured by a trust agreement. In the past funds not needed for obligations of the authority have been transferred to the TTF. Such transfers were made only upon the recommendation of the Secretary and after the approval of the Board of Public Works.

In recent years the authority's bonds have been used to finance the construction of the Seagirt Marine Terminal, a new international terminal at BWI Airport, and other airport capital improvement projects. New financings managed by the authority include the sale of $264 million in bonds in February 2002 to support construction of additional parking facilities at BWI Airport. The bonds will be repaid with parking fees. In June 2002 the authority sold $120 million in bonds, raising cash for a consolidated rental car facility to be built adjacent to BWI Airport. A customer facility charge of $3.00 assessed per day since March 2001 will repay these bonds. Additional bond sales are planned to support additional projects at BWI Airport. The authority is also transferring toll receipts totaling $207 million from 2002 to 2007 to the department to support expanded transit services.

Sections of the Maryland Annotated Code

Corporate Income Tax

Tax – General Article, Sections 2-613 through 2-615; and Transportation Article, Section 3-215

Rental Car Sales Tax

Tax – General Article, Section 2-1302.1

Operating Funds

Transportation Article, Sections 5-304 and 5-408 (Maryland Aviation Administration), 6-204 (Maryland Port Administration), and 7-208 and 7-505 (Maryland Transit Administration)

Investment Income

Transportation Article, Section 2-103.2

Reimbursements and Miscellaneous Collections

Transportation Article, Sections 8-625, 8-642, 8-646, 8-710, 8-718, 8-805, and 24-112 (hauling permits)

Transfers from the Maryland Transportation Authority

Transportation Article, Section 4-313

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II
Business Regulation in Maryland, Volume VIII

Federal Funds

In addition to the revenues generated by taxes and fees, the Maryland Department of Transportation receives funds from various federal agencies to support highway and transit programs and projects, as well as other transportation programs. Exhibit 10.10 sets forth the federal funds expected to be collected by the department in fiscal 2003. The revenues are displayed by program and revenue source.

Exhibit 10.10
Maryland Department of Transportation Federal Funds
Fiscal 2003
($ in Millions)

Revenues by Agency/Program	Federal Funds (Est.)
State Highway Administration	$590.3
Maryland Transit Administration	174.0
Maryland Aviation Administration	25.5
Other	87.7
Total	**$877.5**

Exhibit 10.10 (continued)

Revenues by Source	Federal Funds (Est.)
Highway Planning and Construction (Includes the Secretary's Office and WMATA)	$585.5
Appalachian Development Highway System	7.6
Federal Transit Administration (FTA) Capital and Operations Assistance	91.1
FTA Capital Improvement Grant	69.5
FTA Public Transportation for Nonurban Areas	9.7
State and Community Highway Safety	3.9
Motor Carrier Safety Assistance	.3
Federal Transit Technical Studies Grant	1.4
Federal Transit Capital and Operating Assistance Grants (WMATA)	78.7
Access to Jobs	3.0
Capital Assistance Program for Elderly Persons and Persons with Disabilities	1.5
Other	25.4
Total	**$877.5**

WMATA: Washington Metropolitan Area Transit Authority
Note: Detail may not add to total due to rounding.

Source: Maryland Department of Transportation

State Highway Administration

Highway Planning and Construction

The Transportation Equity Act of the 21st Century authorized the federal surface transportation programs for highways, highway safety, and transit from 1998 to 2003; Congress is expected to reauthorize the program in 2003. The department estimates that in fiscal 2003, $590 million in federal funds will be available for State and local highway planning and construction, as well as the State's share of regional projects. Federal support may also be used to repair or replace obsolete and deficient bridges. To qualify for federal funds for most projects, the State must provide a 20 percent match. The Federal Highway Administration also approves discretionary funding for projects such as scenic byways and pilot programs for traffic management.

Federal funds support approximately 59 percent of Maryland's five-year highway construction program and 63 percent of the State's 2003 program. In fiscal 2003 almost $586 million is budgeted for State highway construction, and $4.5 million will be passed through to local governments for their construction needs.

Sections of the Maryland Annotated Code

Transportation Article, Sections 8-501 through 8-507

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Maryland Transit Administration

Federal Transit Administration – Formula Grants

Federal funds from this program are available for acquisition, construction, leasing, planning and improvement of facilities and equipment for mass transit projects, including bus and rail transportation. Formula grants are available to urban areas for 80 percent of the eligible project cost. Exceptions to this matching ratio include projects designed to increase the accessibility of public transportation to bicycles (90 percent match) and for the disabled (95 percent match). Factors that determine the allocation of these funds in urban areas include population density, bus and fixed guideway vehicle passenger miles, fixed guideway route miles, and bus and fixed guideway revenue mile statistics. In fiscal 2003 the Maryland Transit Administration expects to receive almost $38 million in formula grant funds.

Federal Transit Administration – Capital Improvement Grants

Federal funds from this program help finance the acquisition, construction, reconstruction, and improvement of facilities and equipment for mass transit service. Discretionary project grants are provided to public agencies for up to 80 to 85 percent of net project costs. The department expects to receive almost $70 million in these grants in fiscal 2003. Projects funded with these grants in fiscal 2003 are shown in Exhibit 10.11.

Exhibit 10.11
Federal Transit Administration Capital Funding
Fiscal 2003
($ in Millions)

Project	Funds
Light Rail Cromwell Maintenance	$ 6.4
Metro Subway Section "C"	1.2
Metro Escalator Rehab	5.2
Metro Railcar Mid-life Overhaul	8.0
Bus Procurement	4.3
Smart Card and Farebox Equipment	4.0
MARC Bi-level Coach Purchase	1.7
MARC Electric Locomotive Purchase	1.6
MARC Maintenance, Layover, and Storage	2.0
Silver Spring Transit Center	3.2
MARC Halethorpe Station Parking	1.2
Purple Line	3.4
Other	27.3
Total	**$69.5**

Source: Maryland Department of Transportation

Federal Transit Administration – Nonurbanized Area Grants

These funds are provided to improve, initiate, or continue public transit service in nonurban areas. The grants cover the cost of acquisition, construction, and improvement of facilities and equipment and the payment of operating expenses. Formula grants for capital projects cannot exceed 80 percent of total State project costs. Exceptions to this matching ratio exist for projects that are specifically designed to increase the accessibility of the public for projects geared toward the elderly and the disabled (90 percent match). The department expects to receive $9.7 million in nonurbanized area grants in fiscal 2003.

Other Transportation Programs

State and Community Highway Safety

As part of a coordinated national highway safety program aimed at reducing traffic accidents, states receive money for traffic safety programs based on their resident population and public road mileage. The federal support may not exceed 80 percent of total program costs. In addition, the Federal Highway Administration disburses discretionary grants for traffic safety issues of concern, including highway-rail grade crossings, pedestrian/bicycle safety, and red light running.

Motor Carrier Safety Assistance Program

The federal Motor Carrier Safety Administration, created in 2000, dispenses grants to states to reduce the number and severity of accidents involving commercial vehicles and hazardous materials incidents by increasing the level of enforcement. Funds are allocated each year among states according to a formula based on road mileage, special fuel sales, truck registrations, vehicle miles traveled, and population. States are required to support 20 percent of the program costs. The Maryland Department of Transportation administers the Motor Carrier Safety Assistance Program as a joint effort with the Maryland State Police and the Maryland Department of the Environment. States can also qualify for incentive funds if they demonstrate success in reducing commercial accidents and performing other safety procedures.

Urban Mass Transportation Technical Studies Grant

Funds are available to assist in the development of cost effective transportation improvement programs including the planning, engineering, and design of urban mass transportation projects. Discretionary funds are available to states and other public agencies responsible for statewide transportation planning. Grants may be provided for up to 80 percent of program costs.

Capital Assistance Program for Elderly Persons and Persons with Disabilities

The goal of this program is to improve mobility for the elderly and persons with disabilities throughout the country. The federal funds provide assistance for transportation services planned, designed, and carried out to meet the special transportation needs of this population in urbanized, small urban, and rural areas. The federal share of program costs may not exceed 80 percent of the net cost of the program.

Airport Improvement Program

This program assists sponsors, owners, or operators of public use airports in the development of a nationwide air transportation system. Funding is available from the federal government for airport master plans, airport system plans, noise compatibility plans, acquisition, construction, site preparation, rehabilitation, safety equipment, terminal development, approved noise compatibility projects, and technical services. Matching ratios for projects vary. In fiscal 2003 the department expects to allocate Airport Improvement Program funds to the projects listed in Exhibit 10.12.

Exhibit 10.12
Airport Improvement Program Grant
Fiscal 2003
($ in Millions)

Project	Funds
Noise Zone Land Acquisition	$ 0.3
Homeowners Assistance	1.4
Parallel Taxiway (Runway 15R) and Aircraft Parking Ramp at BWI Airport	11.4
BWI Consolidated Rental Car Facility	0.56
BWI Airport Environmental Analysis: South Airport Land Use Plan	0.75
Martin Air Traffic Control Tower	0.39
Martin Runway Reconstruction	1.5
Other	9.2
Total	**$25.5**

Source: Maryland Department of Transportation

Sections of the Maryland Annotated Code

Transportation Article, Sections 5-411 and 6-204

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Chapter 11. Maryland State Lottery

Revenues

The Maryland State Lottery is expected to generate revenues of $503.9 million after payment of prizes and agent earnings in fiscal 2003 (see Exhibit 11.1). Of this total, $52.0 million will be used for operating expenses of the lottery, and $21.9 million will be used by the Maryland Stadium Authority for debt service on bonds used to finance construction of Camden Yards baseball stadium, construction of the Ravens' stadium, and development of Camden Station. After payment of all expenses and the transfer to the Stadium Authority, the remaining $430.0 million is credited to the general fund.

Exhibit 11.1
Lottery Revenue Estimates
Fiscal 2003
($ in Millions)

	General Funds	Special Funds	Total
Maryland State Lottery	$430.0	$52.0	$482.0
Maryland Stadium Authority		21.9	21.9
Total	**$430.0**	**$73.9**	**$503.9**

Source: Board of Revenue Estimates; Department of Legislative Services

State Lottery Fund

All monies received in sales, less agent commissions, are credited to a special account known as the State Lottery Fund. A system of voucher deposits provides for payout of prizes and commissions outside the State budget.

Operating expenses of the Maryland State Lottery Agency are paid from the fund through normal appropriations procedures. The remaining funds are available as prizes, with any undistributed portion becoming part of the State's share. Any special distributions such as that for the Maryland Stadium Authority are deducted from the State's share. In fiscal 1999, $9.0 million was distributed to a special fund to increase

horseracing purses; in 2000, $10.1 million was distributed for that purpose and to supplement the special "bred" funds established to encourage the improvement of horse breeding and racing in Maryland. These monies are available as general fund revenues in the fiscal year in which they are accumulated in the State Lottery Fund. Exhibit 11.2 displays the receipts and disbursements for fiscal 2001 to 2003. See Exhibit 11.3 for historical distributions of gross lottery sales and Exhibit 11.4 for a historical breakdown of lottery revenues by game.

Exhibit 11.2
State Lottery Fund
Fiscal 2001 – 2003
($ in Millions)

	2001 Actual	2002 Estimated	2003 Estimated
Gross Sales	$1,211.0	$1,270.0	$1,369.6
Deductions			
Agent Commissions	76.0	82.2	85.0
Operating Expenses	47.7	50.6	52.0
Prizes	680.3	712.1	780.7
Total Deductions	804.0	844.9	917.7
Net Lottery Revenue	407.0	425.1	451.9
Maryland Stadium Authority	22.0	28.2	21.9
General Fund Revenues	385.0	396.9	430.0

Note: Figures may not sum due to rounding.

Source: State Lottery Agency; Board of Revenue Estimates

Trends

Revenues grew rapidly from the inception of the "Pick 3" game in fiscal 1977 and the "Pick 4" and "Lotto" games in fiscal 1984, peaking in fiscal 1988. The introduction of Keno and additional drawings of other games boosted sales and revenues through the

mid-1990s. In fiscal 1997, however, sales declined by 6.3 percent, due in part to a troubled transition to a new vendor. Sales have since recovered. The instant lottery games showed strong growth in both 2000 and 2001. In 2001 Keno was the biggest seller among all the lottery games. It is expected that growth will not match historical levels, however, as the Maryland Lottery is one of the most mature in the nation.

For fiscal 2002 almost 56 percent of sales will be distributed as prizes, just over 6 percent to agent commissions, almost 4 percent to administrative expenses, and almost 34 percent to the general fund.

Exhibit 11.3
State Lottery Fund Flow
Fiscal 1974 – 2002
($ in Millions)

Fiscal Year	Gross Sales	Agent Commissions	Admin. Expenses	Prize Fund	Distributions	Net General Fund Revenues Amount	% of Gross Sales
1974	$ 1.3	$ 2.1	$ 5.6	$ 16.8		$ 16.8	
1975	41.0	1.9	4.0	17.3		17.3	
1980	372.3	18.6	12.6	174.3		166.7	44.8%
1985	681.1	27.4	25.2	384.8	13.5[1]	250.1	38.7%
1990	811.5	41.7	26.1	408.3	24.0	311.3	41.3%
1995	1,039.2	55.0	50.1	548.5	19.1	366.6	37.1%
1996	1,111.8	59.1	51.0	611.1	20.7	369.8	35.1%
1997	1,041.5	55.0	44.7	549.1	32.5	360.3	37.7%
1998	1,070.0	57.5	46.2	565.9	32.5	367.8	37.4%
1999	1,080.3	61.8	44.6	580.7	39.0	393.1	40.0%
2000	1,172.9	68.6	45.0	658.2	33.3	401.1	37.0%
2001	1,212.3	78.6	47.7	691.8	22.0	407.2	35.4%
2002 (est.)	1,310.4	85.4	50.4	728.2	27.2	416.2	33.8%

[1] In 1984 and 1985, distributions were made to local subdivisions. Beginning in 1988, distributions have been made to the Stadium Authority.

Source: Maryland State Lottery Agency

Exhibit 11.4
Maryland State Lottery Agency
Revenue Percentages by Game: Fiscal 1974 – 2002
($ in Millions)

Fiscal Year	Pick 3	Pick 4	Lotto	Instant	Keno	Keno Bonus	The Big Game	Cash in Hand	Let It Ride	Other[1]	Total Net Revenues[2]
1974										100%	$ 16.7
1975										100%	17.3
1980	95.9%									4.1%	166.7
1985	67.9%	13.1%	18.8%							0.2%	263.7
1990	50.8%	18.%7%	19.2%	10.6%						0.7%	335.3
1995	36.8%	18.6%	11.1%	12.3%	17.8%					3.4%	385.7
1996	34.7%	17.8%	12.5%	13.1%	18.3%			3.5%			390.5
1997	36.6%	18.6%	6.9%	12.2%	18.5%		4.0%	3.2%			392.7
1998	36.4%	17.3%	7.3%	12.6%	19.4%	0.1%	3.7%	3.4%			400.3
1999	36.4%	18.1%	5.0%	11.2%	20.4%	1.1%	5.4%	2.4%			391.6
2000	33.3%	16.9%	4.3%	12.4%	18.4%	5.0%	7.6%	2.2%			406.7
2001	31.7%	20.9%	5.0%	13.9%	17.2%	5.6%	4.8%	1.1%	(0.1%)		413.0
2002 (est.)	27.1%	21.2%	3.3%	15.8%	17.3%	6.0%	7.2%	2.0%	0.1%		443.4

[1] "Other" includes nondaily, Ponch/El Gordo, Winners Take All, and Match 5; none of these games has been offered since fiscal 1995.
[2] Net revenues include distributions and general fund revenues.
Source: Maryland State Lottery Agency

Types of Lottery Games

Pick 3 (The Numbers Game)

This is a three-digit, select-your-own-numbers daily lottery game. Players either select their own numbers or let the lottery terminal select for them (Quik Pik). The odds of winning (i.e., matching all three numbers) and payoffs for a $1 Pick 3 wager are:

Pick 3 Variation	Odds	Payoff
Straight	1:1,000	$500
Six-way Box	1:167	$80
Three-way Box	1:333	$160
Front or Back Pair	1:100	$50
Straight/Three-way Box	1:333	$330
Box Only		$80
Straight/Six-way Box	1:167	$290
Box Only		$40
Three-way Combination ($1.50)	1:1,000	$500
Six-way Combination ($3.00)	1:1,000	$500

Pick 4 Game

This is a four-digit, select-your-own-numbers daily lottery game. Players either select their own numbers or let the lottery terminal select for them (Quik Pik). The odds of winning (i.e., matching all four numbers) and payoffs for a $1 Pick 4 wager are:

Pick 4 Variation	Odds	Payoff
Straight	1:10,000	$5,000
Twenty-four-way Box	1:417	$200
Twelve-way Box	1:833	$400
Six-way Box	1:1,667	$800
Four-way Box	1:2,500	$1,200

Classic Lotto Game (6 of 49)

In this game players select six of 49 numbered squares on a bet slip to match, in any order, six numbers drawn twice a week (Wednesday and Saturday). Players either select their own numbers or let the lottery terminal select for them (Quik Pik). Tickets cost a minimum of $1 and consist of two game grids, providing two chances to win.

To win, players must match any three, four, five, or six of the six numbers drawn. The amount of prize money paid varies depending on the number of matched numbers. Approximately 50 percent of the gross receipts from the game are allocated to the winnings pool. Determination of prize winnings (as set at the Lottery director's discretion) and odds of winning are as follows:

Match	Prize	Approximate Odds
Six of Six	Depends on Sales (At Least 61% of Winnings Pool)	1:6,991,908
Five of Six	$1,500	1:27,100
Four of Six	$40	1:516
Three of Six	$2	1:28.3

Prizes are paid in their entirety, although a 25-year annuity is mandatory for first prize winners if the cash prize is sufficient to purchase a 25-year annuity that pays at least $15,000 per year. Since September 1998, players are able to elect a cash option to receive the Lotto jackpot prize in one lump sum.

Lotto can also be played through a "Lottery Subscription" where tickets can be purchased by mail for a specific period of time and are renewable upon their expiration.

Instant Lottery Game

By rules and regulations, the director of the Lottery Agency may implement from 12 to 14 "instant" lottery games per year. An instant game is one in which tickets have a concealed prize structure, and winners are determined when a player rubs the latex material concealing the prize structure on the ticket to determine winning tickets. The prize structure is determined by the director, with approval of the State Lottery Commission.

A major portion of the proceeds from sales of instant games goes to the Maryland Stadium Authority.

Keno

The State Lottery Agency introduced Keno in 1993. Keno drawings occur in five-minute intervals from 6:00 a.m. to 1:00 a.m. every day and are shown on television monitors in licensed Keno agent locations, primarily restaurants, taverns, and bowling alleys. Keno is significantly different from other lottery games. It is played in a social setting and is designed to be part of a greater overall "entertainment experience."

Keno is played by choosing up to ten numbers from a field of 80. Players win when their selected numbers match those the computer selects in a given drawing. Winning numbers are displayed on television monitors located in licensed Keno agent locations. Odds vary, depending on the "spot" played. The minimum wager is $1; the maximum is $20. Prizes range from $1 to $100,000. Prizes and odds are as follows:

	Match	**Prize**	**Odds**
1 Spot Game	1	$2	1:4.0
2 Spot Game	2	$10	1:16.63
3 Spot Game	3	$25	1:6.55
	2	$2	
4 Spot Game	4	$50	1:3.86
	3	$5	
	2	$1	
5 Spot Game	5	$300	1:10.34
	4	$15	
	3	$2	
6 Spot Game	6	$1,000	1:6.19
	5	$50	
	4	$5	
	3	$1	
7 Spot Game	7	$2,500	1:4.23
	6	$100	
	5	$15	
	4	$3	
	3	$1	
8 Spot Game	8	$10,000	1:9.77
	7	$500	
	6	$50	
	5	$10	
	4	$2	

	Match	Prize	Odds
9 Spot Game	9	$25,000	1:9.75
	8	$2,500	
	7	$100	
	6	$20	
	5	$5	
	0	$2	
10 Spot Game	10	$100,000	1:9.05
	9	$4,000	
	8	$400	
	7	$50	
	6	$10	
	5	$2	
	0	$4	

Keno Bonus

A supplemental feature to Keno, Keno Bonus was added in 1998. After each Keno drawing, the Keno Bonus feature is drawn. Twelve numbers appear randomly on the screen and form four horizontal rows of three numbers each. If the same number appears three times in a single row, everyone who is "in" wins that number amount. Prize levels are $1, $2, $5, $10, $20, and $50. The minimum Keno Bonus wager is $1. The Keno Bonus wager must match the player's Keno wager. The player must play Keno in order to play Keno Bonus. Prizes and odds are as follows:

Prize	Odds of Winning Per Drawing
$1	1:14
$2	1:17
$5	1:17
$10	1:66
$20	1:476
$50	1:476
Overall Odds of Winning	1:4.79

Mega Millions Big Game

In this game players select five numbers from one to 52, along with one of 25 for the Gold Mega Ball. Drawings are held on Tuesdays and Fridays. Players either select their own numbers or let the lottery terminal select for them (Quik Pik). Each ticket costs $1.

To win, players must match at least four numbers, or match the Gold Mega Ball with zero to five of the other numbers. The amount of the jackpot, matching all five numbers and the Gold Mega Ball, depends on sales but has a minimum value of $5 million. Odds of winning the jackpot are 1:52,969,000; overall odds are approximately 1:22. The prize structure and odds for all winning combinations for Mega Millions Big Game are as follows:

Match	Prize	Approximate Odds
Five White Balls and Gold Mega Ball	Minimum $10 million	1:135,145,920
Five White Balls	$175,000	1:2,649,920
Four White Balls and Gold Mega Ball	$5,000	1:575,089
Four White Balls	$150	1:11,276
Three White Balls and Gold Mega Ball	$150	1:12,502
Three White Balls	$7	1:245
Two White Balls and Gold Mega Ball	$10	1:834
One White Ball and Gold Mega Ball	$3	1:152
Gold Mega Ball	$2	1:88

The jackpot is paid in 20 annual installments and is divided among multiple winners.

Cash in Hand

In this game players select seven of 31 numbers. Drawings are held three nights a week, on Mondays, Wednesdays, and Fridays. Players may select their own numbers or let the lottery terminal select for them (Quik Pik). Each ticket costs $1.

To win, players must match at least three numbers. Matching all seven numbers results in the $500,000 top prize, paid in a lump sum. Odds of winning the jackpot are 1:2,629,575; overall odds are approximately 1:5.86. The prize structure and odds for all winning combinations of Cash in Hand are as follows:

Match	Prize	Odds
7 of 7 Numbers	$500,000	1:2,629,575
6 of 7 Numbers	$1,000	1:15,652
5 of 7 Numbers	$40	1:454
4 of 7 Numbers	$4	1:37
3 of 7 Numbers	Free $1 Quik Pik Ticket	1:7

Equipment

For on-line games, the agency:

- provides a computer terminal to the agent at no cost;
- installs initial telephone lines required for the operation of the terminal at no expense to the agent; and
- pays all monthly fees charged by the telephone company for the use of communication lines to the computer.

Compensation

Agents are paid:

- a commission amounting to 5 percent for all on-line game lottery sales and 5 percent for all instant ticket sales;
- a service fee of 3 percent for on-line game lottery payouts validated and paid through the terminal; and
- a service fee of $1 for validating claims through the terminal on winning tickets in excess of $600.

Agents may not receive regular commissions in a calendar year that exceed 5 percent of that agent's gross receipts from ticket sales made during that year.

Unclaimed Prizes

Unclaimed prizes for a winning ticket are retained by the Lottery Agency for 182 days after the drawing in which the prize was won. If no claim is made after that time, the prize remains in the State Lottery Fund for further use as prizes. However, the holding of bonus games or drawings with a preannounced period for the claiming of prizes of other than 182 days is allowed.

Administration of Lottery

The Maryland State Lottery Agency is the administrative entity, with the State Lottery Commission providing oversight.

Costs

Total administrative expenses for fiscal 2003 are approximately $52.0 million.

Penalties

A person is guilty of a misdemeanor and is subject to a fine not exceeding $2,500 or imprisonment not exceeding three years or both, if that person is convicted of any one of the following: (1) selling a lottery ticket without a license; (2) selling a lottery ticket at a price other than prescribed; (3) selling a lottery ticket to a minor; (4) counterfeiting or altering tickets; (5) knowingly transferring counterfeit or altered tickets; (6) failing to report income tax information relating to holders of winning tickets to the Internal Revenue Service; or (7) paying a prize to a holder of a winning lottery ticket if the Lottery Agency has notified the licensed agent that the holder has been certified under Article 27, § 809(b) of the Annotated Code of Maryland or § 10-113.1 of the Family Law Article.

Lottery History

1973	–	Weekly game
	–	Regular subscription game
1976	–	First instant game
	–	Pick 3 game
1981	–	Second instant game
1982	–	Third instant game

1983 – Pick 4 game
– Lotto game

1986 – Fourth instant game
– Fifth instant game

1988 – Multiple instant games
– Distributions to Maryland Stadium Authority begins.

1990 – Winners Take All cash game

1991 – Match 5 (replaces Winners Take All)

1993 – Keno

1996 – The Big Game

1998 – Cash in Hand (replaces Match 5)

1999 – Commission from ticket sales of on-line games increased from 4 percent to 5 percent of total sales.
– One-time distribution of $10 million of net fiscal 1999 lottery revenues to a special fund to increase purses at race tracks and to supplement existing bred funds authorized.

2000 – One-time distribution of $10 million of net fiscal 2000 lottery revenues to a special fund to increase purses at race tracks, supplement existing bred funds, and improve the health and education benefits for eligible persons licensed by the Racing Commission authorized.

2001 – Let It Ride

2002 – Let It Ride cancelled.
– Lottery Agency authorized to enter into agreements to operate multijurisdictional lotteries with political entities outside the United States or private licensees of a state or a foreign nation.

Comparison with Other States

Exhibit 11.5 provides comparative information on fiscal 2001 state lottery revenues.

Sections of the Maryland Annotated Code

State Government Article, Title 9, Subtitle 1

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Exhibit 11.5
Lottery Revenues by State
Fiscal 2001
($ in Millions)

State	Gross Revenues	% of Gross Revenues: Agent Comm.	Expenses	Net Revenue	Prizes Paid	% of Total Revenues[1]	Government Earmarking
Arizona	$ 274	6.9%	9.5%	28.8%	55.1%	1.1%	Mass Transit, General Fund, Local Assistance, Economic Development, Heritage Fund
California	2,921	6.7%	6.5%	35.3%	51.5%	1.2%	K-12 Education
Colorado	353	7.6%	9.1%	22.7%	60.7%	1.3%	Parks and Recreation
Connecticut	841	5.4%	4.3%	30.0%	60.4%	3.0%	General Fund
D.C.	226	5.3%	11.1%	37.2%	46.7%	2.2%	General Fund
Delaware[2]	601	---	---	---	---	7.8%	General Fund
Florida	2,298	5.5%	5.4%	39.5%	49.6%	3.1%	Educational
Georgia	2,101	7.0%	5.6%	33.0%	54.3%	4.9%	Education
Idaho	86	5.8%	15.1%	22.1%	57.3%	1.3%	Public Schools and State Permanent Building Fund
Illinois	1,448	5.0%	5.8%	35.4%	53.9%	2.1%	K-12 Education
Indiana	556	6.3%	8.3%	28.1%	57.5%	1.8%	Education, License Plate Tax Police/Fireman Pensions, Teachers Retirement, Build Indiana
Iowa	178	6.2%	14.6%	24.7%	54.3%	0.9%	General Fund, Gambling Treatment Program
Kansas	186	5.9%	11.3%	30.1%	52.7%	1.3%	Economic Development, Prisons
Kentucky	594	6.1%	8.1%	26.9%	58.9%	2.0%	General Fund, Kentucky Educational Excellence Scholarship Program
Louisiana	289	4.8%	10.4%	35.3%	49.1%	1.2%	State's Lottery Proceeds Fund (Appropriated by Legislature Annually)
Maine	147	6.8%	11.6%	25.2%	56.4%	1.7%	General Fund
Maryland	1,212	6.4%	4.1%	34.2%	55.4%	4.0%	General Fund
Massachusetts	3,936	5.7%	1.9%	22.0%	70.5%	4.0%	Cities and Towns
Michigan	1,748	6.6%	7.3%	36.2%	50.0%	2.4%	K-12 Education
Minnesota	369	6.5%	12.2%	23.0%	59.2%	0.8%	General Fund, Environmental Trust Fund
Missouri	524	6.1%	8.4%	29.4%	56.0%	1.8%	Education
Montana	31	6.5%	22.6%	19.4%	50.7%	0.7%	General Fund
Nebraska	67	6.0%	17.9%	25.4%	50.9%	0.9%	Education, Environment, Compulsive Gamblers Assistance
New Hampshire	200	5.5%	7.5%	29.5%	57.6%	3.5%	K-12 Education

Exhibit 11.5 (continued)

State	Gross Revenues	% of Gross Revenues: Agent Comm.	Expenses	Net Revenue	Prizes Paid	% of Total Revenues[1]	Government Earmarking
New Jersey	1,844	5.4%	3.0%	37.6%	53.9%	3.1%	Education and Institutions
New Mexico	114	7.0%	14.9%	22.8%	55.0%	0.8%	Education
New York	4,186	6.0%	5.2%	34.6%	54.3%	3.1%	K-12 Education
Ohio	2,000	6.0%	5.4%	33.0%	55.6%	3.7%	Education
Oregon						9.2%	Economic Development, State Parks and Salmon Restoration, K-12 Education
Traditional	325	8.6%	8.9%	17.2%	65.2%		
Video Lottery	7,300	2.0%	0.6%	3.8%	93.6%		
Pennsylvania	1,803	5.0%	4.9%	34.8%	55.2%	2.4%	Senior Citizens Programs
Rhode Island						5.1%	Distressed Cities and Towns, General Fund
Traditional	209	10.5%	3.3%	28.2%	57.9%		
Video Lottery	771	13.9%	0.0%	15.8%	70.3%		
South Dakota						7.7%	General Fund, Capital Construction, Property Tax Reduction
Traditional	24	4.2%	20.8%	20.8%	52.5%		
Video Lottery	565	17.2%	0.7%	16.8%	65.3%		
Texas	2,913	4.9%	6.0%	32.6%	56.4%	3.4%	Foundation School Fund
Vermont	82	6.1%	9.8%	20.7%	63.7%	1.5%	Education
Virginia	1,015	5.5%	7.2%	32.4%	54.9%	2.2%	Education
Washington	535	5.6%	6.5%	34.0%	53.9%	1.1%	Student Achievement Fund, School Construction Fund
West Virginia						3.2%	Education, Senior Citizens, Tourism
Traditional	163	6.1%	11.0%	25.8%	57.1%		
Video Lottery	5,141	5.6%	0.1%	2.9%	91.5%		
Wisconsin	417	6.7%	8.2%	29.3%	55.8%	1.1%	Property Tax Relief

[1] Percentage of total own-source state and local revenues for the state, based on fiscal 1998-99 U.S. Census data.
[2] For Delaware, gross revenues figure reflects video lottery terminal machine income net of prizes paid. As a result, the percentage of gross revenues reflected in agent commissions, expenses, net revenues, and prizes paid out is not comparable to other states.

Source: *La Fleur's 2002 World Lottery Almanac*; U.S. Census Bureau

Chapter 12. Overview of Additional Nontax Revenue Sources

Total fiscal 2003 revenues are projected to be $21.7 billion, of which approximately $8.8 billion, or about 40 percent, is expected to be generated by sources other than taxes, the lottery, or transportation already discussed in this handbook. These revenues are derived from a wide range of sources. However, several specific areas account for a substantial portion of the total.

The single largest source of nontax revenues is federal funds. These revenues, which are projected to be $4.4 billion in fiscal 2003 (not including federal transportation funds), are earmarked for a broad range of programs that are administered by the State.

The State's higher education institutions are estimated to generate revenues of nearly $2.1 billion in fiscal 2003. These funds consist primarily of tuition, fees, and revenues from educational and auxiliary sales and are used to pay for the operating costs of the State's public universities and colleges.

The remaining revenues are derived from a wide variety of user fees, charges, investment earnings, and other miscellaneous sources that are described in the following chapters. Exhibit 12.1 provides a summary of the nontax revenues by general, special, and federal funds for each department of State government.

Presentation of Information

The amounts shown in Exhibit 12.1 and in the following chapters may not necessarily correlate with the figures shown in Exhibit 1.2 of this handbook. The figures from Exhibit 1.2 are based primarily on estimates in the Department of Budget and Management's *Fiscal Digest*. The estimates in Exhibit 12.1 and throughout the nontax revenue portion of the handbook have been modified and recategorized in some ways to more accurately represent the actual annual flow of revenues by category to the departments and agencies involved.

Detailed information was derived from the *Fiscal 2003 State Budget Books*, representatives from various departments and agencies, and analysts within the Department of Legislative Services.

While based on estimates contained in the *Fiscal Digest*, the fiscal 2003 estimates shown in Exhibit 12.1 and in the following chapters for each department or division within a department may differ from those in the *Fiscal Digest* for several reasons. First, revenue sources that are attributed to a specific department for budgeting purposes but

are collected by a different agency or through a different revenue source are included in estimates at the source. For example, the Waterways Improvement Fund of the Department of Natural Resources is described and accounted for under the discussion of the excise tax on vessels in Chapter 9.

Second, in certain departments, the accounting methods used to generate a consistent balance sheet for purposes of the *Fiscal Digest* are not necessarily adopted for purposes of this handbook. For instance, the Department of Agriculture maintains a number of special funds that are allowed to "carry over" fund balances from year to year. Therefore, the funds left over from fiscal 2002 are shown as a beginning fund balance for fiscal 2003. To allow the fund revenues and expenditures to balance in the *Fiscal Digest*, these beginning fund balances have been accounted as revenues. For purposes of this handbook, however, those fund balances have been "backed out" to show the revenues actually received by the fund for the year from the more germane areas such as service charges and fees.

Finally, miscellaneous revenue sources (generally those representing less than $1 million) are described and accounted for at the end of each section. This may understate the revenues attributed to a specific division within a department compared to the *Fiscal Digest* estimate.

Exhibit 12.1
Additional Nontax Revenue Sources
Fiscal 2003 Estimates
($ in Millions)

	General Funds	Special Funds	Federal Funds	Total
Chapter 13				
Bond Proceeds	$ 720.0	$ 400.0		$1,120.0
Chapter 14				
Cigarette Restitution Fund		129.2		129.2
Chapter 15				
Higher Education		2,082.6		2,082.6
Higher Education Support Agencies		2.5	$ 3.6	6.1
Public Education		44.2	701.2	745.4
Chapter 16				
Health and Mental Hygiene	70.9	102.1	2,127.2	2,300.2
Human Resources		74.6	985.5	1,060.1
Juvenile Justice		0.3	15.3	15.6
Chapter 17				
Business and Economic Development		28.9	0.5	29.4
Housing and Community Development		39.0	163.1	202.1
Chapter 18				
Environment		48.2	62.7	110.9
Agriculture	0.2	15.5	2.4	18.1
Natural Resources		46.4	25.2	71.6
Chapter 19				
Public Safety	6.8	99.4	6.1	112.3
State Police	1.8	9.8	1.1	12.7
Chapter 20				
Financial and Revenue Administration	115.5	66.9		182.4
Judicial and Legislative	142.9	55.8	3.0	201.7
Licensing and Regulation	13.8	10.1	151.9	175.8
Executive and Administrative	3.1	73.2	107.9	184.2
Retirement		21.2		21.2
Total	**$1,075.0**	**$3,349.9**	**$4,356.7**	**$8,781.6**

Note: Detail may not add to total due to rounding.
Source: *Fiscal Digest of the State of Maryland for the Fiscal Year 2003*, Department of Budget and Management; *Fiscal 2003 State Budget Books*; Department of Legislative Services

Chapter 13. Bond Proceeds

Bond proceeds represent debt financing. The State borrows money by selling bonds that are redeemed in subsequent years through the payment of debt service. Debt financing is restricted almost exclusively to capital expenditures. The ongoing operations of the State are paid for from current funds.

As bonds are issued (sold), they generate revenues that are used to support the State's capital programs. In addition to bonds, the fiscal 2003 capital budget is funded by general funds ($49.6 million), special funds ($663.7 million), federal funds ($820.2 million), and recycled funds ($0.9 million). Exhibit 13.1 lists the planned issuances for fiscal 2003 of the various types of government activity bonds – general obligation bonds, transportation bonds, and revenue bonds. Each type of bond is discussed below.

Exhibit 13.1
Bond Proceeds
Fiscal 2003
($ in Millions)

Bond Type	Authorized Amount
General Obligation Bonds	$ 720.0
Transportation Bonds	360.0
Revenue Bonds	40.0
Total	**$1,120.0**

Note: The number reported for general obligation bonds is net of deauthorization of $11,058,000 in previously authorized debt.

Source: *The 90 Day Report: A Review of the 2002 Legislative Session*, Department of Legislative Services; *Maryland Capital Budget: Fiscal Year 2003*, Department of Budget and Management

General Obligation Bonds

General obligation bonds are securities backed by a constitutional mandate (Article III, Section 34) that specific tax revenues must be used to pay off the debt (discharge principal within 15 years and provide interest as due) and that the taxes may not be repealed or applied to other purposes until the debt is fully discharged. Currently, the State property tax is levied to the extent other revenues are not available.

Bondholders may petition the courts to issue a writ of mandamus to the Board of Public Works to levy sufficient property taxes to pay the principal and interest on State general obligation bonds.

In fiscal 2003 the General Assembly authorized the issuance of $731 million in general obligation bonds to help support a capital budget totaling nearly $2.7 billion. The General Assembly also deauthorized $11 million in previously authorized general obligation debt for a net $720 million in new debt. Exhibit 13.2 shows the distribution of general obligation bond proceeds.

Exhibit 13.2
Distribution of General Obligation Bond Proceeds
Fiscal 2003
($ in Millions)

Agency/Project	Amount
State Facilities	$ 39.7
Health/Social	26.0
Natural Resources/Environment/Agriculture	71.2
Public Safety	24.5
Education	
Public School Construction	224.1
Other	4.8
Higher Education	
University System of Maryland	176.2
Morgan State University	24.2
St. Mary's College	5.2
Community Colleges	34.1
Private Colleges/Universities	31.9
Other	8.6
Housing/Community Development	26.8
Local Projects	33.9
Deauthorizations	-11.1
Total	**$720.0**

Note: Detail may not add to total due to rounding.

Source: Department of Legislative Services

Transportation Bonds

Transportation bonds are issued by the Maryland Department of Transportation to finance transportation related projects. Like general obligation bonds, these bonds must be paid with revenues from specific taxes as required by the Constitution of Maryland. Currently, motor fuel and titling taxes and a portion of corporate income tax revenues and rental car sales tax revenues are pledged to pay the principal and interest on these bonds. The department may also issue bond anticipation notes and revenue anticipation notes.

In fiscal 2003 the Department of Transportation expects to issue $360 million in transportation bonds to help support a transportation capital program totaling $1.6 billion. The remaining funds supporting the transportation capital program come from the federal government ($790 million) and the Transportation Trust Fund ($455 million).

The fiscal 2003 transportation capital program is shown in Exhibit 13.3. Because transportation bond proceeds are not specifically designated to any particular project at this point, the table below includes federal funds, transportation bond proceeds, and Transportation Trust Fund revenues.

Exhibit 13.3
Distribution of Transportation Capital Program
Fiscal 2003 Appropriations
($ in Millions)

Agency within Department of Transportation	Amount
Administration	$ 19
Washington Metropolitan Area Transit Authority	221
Highway	957
Port	92
Motor Vehicle	23
Transit	195
Aviation	129
Total	**$1,636**

Source: Department of Legislative Services

Revenue Bonds

Revenue bonds are securities issued to finance specific projects, such as dormitories and parking garages, that will generate user fees which will be used to pay off the bonds. Instead of tax revenues, the specific revenues to be generated from the project are pledged for repayment.

In Maryland, several agencies are empowered to issue "government activity" revenue bonds, including: the University System of Maryland, the Maryland Environmental Service, the Maryland Stadium Authority, the Maryland Transportation Authority, St. Mary's College, Baltimore City Community College, and Morgan State University. Additionally, the following agencies are authorized to issue "private activity" revenue bonds: the Community Development Administration, the Maryland Health and Higher Education Facilities Authority, the Maryland Economic Development Corporation, and the Maryland Food Center Authority.

Legislative Handbook Series Cross-reference

Maryland's Budget Process, Volume IV

Chapter 14. Cigarette Restitution Fund

History of the Cigarette Restitution Fund

In November 1998 five major tobacco companies agreed to settle all outstanding litigation with 46 states, 5 territories, and the District of Columbia. Under this unprecedented agreement, the settling manufacturers will pay the litigating parties approximately $206 billion over 25 years, with payments continuing as long as cigarettes are sold in the United States. The agreement also included provisions for restricting the marketing of tobacco products to youth and the general pubic.

In anticipation of receiving monies from litigation against tobacco manufacturers, in 1999 the General Assembly established the Cigarette Restitution Fund as a special fund that retains all interest earned. By statute, all proceeds directly or indirectly resulting from the lawsuit against the tobacco manufacturers, or any related parties, or from a settlement of the lawsuit, are to be placed in the fund. The statute directs the Governor to propose a budget with at least 50 percent of the funds allocated to the following nine health and tobacco-related priorities:

- reduction in tobacco use by youth;
- tobacco control campaigns in schools;
- smoking cessation programs;
- enforcement of tobacco sales restrictions;
- primary health care in rural areas;
- programs concerning cancer, heart disease, lung disease, and tobacco control;
- substance abuse treatment/prevention;
- Maryland Health Care Foundation; and
- crop conversion.

The State of Maryland hired outside counsel to assist in the case against the tobacco manufacturers. After the tobacco settlement, a dispute arose between the State and the outside counsel over legal fees, resulting in a court order requiring that 25 percent of the proceeds received by the State under the Master Settlement Agreement be placed

in escrow pending settlement of the dispute. On April 10, 2002, the State entered into a settlement agreement with the outside counsel on legal fees. Under the agreement, the State will pay the outside counsel a total of $150 million in five equal annual installments beginning in fiscal 2002. In return, the law offices released any claim to the funds in escrow and future payments.

Tobacco Settlement Payments

Under the tobacco settlement, the State receives three types of payments: initial, annual, and strategic contribution.

Initial payments – The State will receive five initial payments. The first was paid after the settlement agreement was approved by a majority of the states, and the remaining four are paid annually beginning on January 10, 2000. The last initial payment will be on January 10, 2003.

Annual payments – Annual payments will be made on April 15 of each year as long as cigarettes are sold in the United States.

Strategic contribution payments – Strategic contribution payments will be made on April 15 for ten years beginning in 2008. The amount of the payments was determined by a panel and was based on the strength of the legal case and contribution to the national settlement by each state.

The tobacco payments are subject to adjustments for inflation, decline in tobacco sales, and changes in the market share for the settling manufacturers.

Exhibit 14.1 shows the history of Cigarette Restitution Fund revenues to the State. They reflect the payments from the tobacco settlement after adjustments and include the arbitration panel award payments and interest earnings. The revenues are also net of legal payments to the outside counsel and reflect current assumptions about inflation and tobacco consumption. Cigarette Restitution Fund revenues are expected to remain relatively constant over the next few years, with an increase in fiscal 2007 due to the completion of legal payments and an increase in fiscal 2008 due to the beginning of strategic contribution payments.

Sections of the Maryland Annotated Code

State Finance and Procurement Article, Section 7-137

Exhibit 14.1
Cigarette Restitution Fund Revenues
Fiscal 2000 – 2003
($ in Millions)

Fiscal Year	Revenues
2000	$141.9
2001	108.5
2002 (est.)[1]	221.9
2003 (est.)	129.2

[1] Increase reflects release of previously escrowed funds.

Source: Department of Legislative Services

Chapter 15. Education

State Colleges and Universities

Higher education revenues are those funds (excluding general funds) received by Maryland's public institutions of higher education. Higher education revenues of $2.1 billion will account for 68 percent of the revenues used to support the public higher education system in fiscal 2003. The remainder of funding is provided from general funds ($967.3 million).

Unlike other State agencies that classify revenues as general, special, or federal funds, higher education revenues are labeled unrestricted or restricted funds. Unrestricted funds are those funds that may be spent at the discretion of the institution to support the general operation of the institution, such as educational, research, or auxiliary expenses. Restricted funds must be spent on specific programs, departments, or schools as prescribed by the grantor of the funds.

A summary of the estimated fiscal 2003 revenues to be collected by public colleges and universities is presented in Exhibit 15.1. The first part of the exhibit shows the revenues according to the institution that generates them; the second part is a summary of the same revenues, shown by source.

Tuition and Fees

Tuition and fees amounting to $732.9 million in fiscal 2003 account for the largest source of higher education unrestricted fund revenues other than the general fund appropriation. Tuition and fees vary by campus and by educational program. For the 2002-2003 school year, tuition and fees (excluding room and board) averaged $5,029 for Maryland residents and $11,332 for students from other states. The average annual tuition increase from the 1998-99 school year to the 2002-2003 school year has been 4.5 percent per year for Maryland residents and 5.2 percent per year for out-of-state students. Maryland residents account for about 77 percent of the overall student population. Institutions set their own tuition rates through their respective governing boards.

Exhibit 15.1
Higher Education Revenue Estimates
Fiscal 2003
($ in Millions)

Institution	Institutional Revenues
University of Maryland, Baltimore	$ 394.7
University of Maryland, College Park	682.3
Bowie State University	34.4
Towson University	168.0
University of Maryland, Eastern Shore	45.4
Frostburg State University	43.2
Coppin State College	30.7
University of Baltimore	40.1
Salisbury University	57.5
University of Maryland University College	180.0
University of Maryland, Baltimore County	199.5
University of Maryland Center for Environmental Science	19.7
University of Maryland Biotechnology Institute	24.4
University System of Maryland Office	5.8
Subtotal, University System of Maryland	**$1,925.6**
St. Mary's College of Maryland	28.0
Morgan State University	94.2
Baltimore City Community College	34.7
Total, Higher Education	**$2,082.6**

Revenues by Source	Unrestricted Funds	Restricted Funds	Total
Tuition and Fees	$ 732.9	$ 0.0	$ 732.9
Auxiliary and Education Sales	505.8	36.6	542.4
Federal Grants and Contracts	68.7	418.4	487.1
State and Local Grants and Contracts	11.8	139.8	151.6
Private Gifts, Grants, and Contracts	12.0	110.9	123.0
Endowment Income and Other	40.8	4.9	45.7
Total	**$1,372.0**	**$710.6**	**$2,082.6**

Source: *Fiscal 2003 State Budget Books*; Department of Legislative Services

Auxiliary and Educational Sales

Auxiliary enterprise revenues are expected to generate $394.6 million in unrestricted funds in fiscal 2003. This revenue is collected from self-supporting operations that provide students with food, housing, and student activities. All expenses from auxiliary programs must be paid for with auxiliary revenues.

Educational sales are estimated to generate $111.1 million in unrestricted funds and $36.6 million in restricted funds in fiscal 2003. Revenues are derived from sales of services or research/educational materials. Examples include rental income from conferences, charges for duplicating services, income from demonstration day care programs, special summer programs (camps, festivals), and special instruction for high school students.

Federal Grants and Contracts

Anticipated unrestricted revenues of $68.7 million for fiscal 2003 from federal grants and contracts represent payments for costs associated with research studies. Overhead expenses such as fuel costs, salaries, and space rentals are covered by these revenues.

The largest share of higher education restricted revenues is received through federal grants, contracts, and financial aid totaling $418.4 million in fiscal 2003. Most grants and contracts are for specific research projects. The federal government, particularly the National Institutes of Health, the National Science Foundation, and defense agencies, often impose strict guidelines on the types of research or services to be performed with this funding. Pell grants comprise the majority of federal financial aid in this category.

State and Local Grants and Contracts

Universities and colleges are expected to receive unrestricted revenues of $11.8 million in fiscal 2003 from State and local grants and contracts, similar to federal grants and contracts above, to support the administrative expenses of performing research studies.

Restricted fund revenues of $139.8 million support grants and contracts for specific research or services funded by State and local governments. For example, these restricted revenues include reimbursement for the provision of certain health services in Baltimore City by the University of Maryland, Baltimore.

Private Gifts, Grants, and Contracts

Private gifts, grants, and contracts are expected to generate $12.0 million in unrestricted funds and $110.9 million in restricted funds in fiscal 2003. Gift revenues may be in the form of cash or, at times, the value of equipment. If the award is a restricted fund gift, the gift must be used according to the guidelines set forth by the donor. Gifts are received from both individuals and corporations.

Endowment Income and Other Revenues

Endowment income and other revenues are expected to provide $40.8 million and $4.9 million in unrestricted and restricted funds, respectively, in fiscal 2003. Revenues are composed of investment income and miscellaneous revenues from activities such as facility rentals.

Sections of the Maryland Annotated Code

Education Article, Titles 10 through 17

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Higher Education Support Agencies

A summary of the estimated fiscal 2003 revenues to be collected by the higher education support agencies is presented in Exhibit 15.2. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is a summary of the same revenues, shown by source.

Exhibit 15.2
Higher Education Support Agencies Revenue Estimates
Fiscal 2003
($ in Millions)

Revenues by Agency	Special Funds	Federal Funds	Nonbudgeted Funds	Total
Maryland Higher Education Commission	$2.5	$3.6		$6.1
Maryland Prepaid College Trust			$1.5	1.5
Total	**$2.5**	**$3.6**	**$1.5**	**$7.6**

Revenues by Source	Special Funds	Federal Funds	Nonbudgeted Funds	Total
Guaranteed Student Tuition Fund	$0.3			$0.3
Maryland Board of Physician Quality Assurance Licensing Fees	1.8			1.8
Digital Library Support from Independent Colleges and Universities	0.3			0.3
Veterans' Education Program		$0.3		0.3
Eisenhower Professional Development Program		1.1		1.1
Gaining Early Awareness and Readiness Through Undergraduate Programs (GEAR-UP)		1.5		1.5
Leveraging Educational Assistance Partnership (LEAP)		0.6		0.6
Loan Assistance Repayment Program		0.2		0.2
Trust Application Fees			$0.6	0.6
Trust Program Contributions			0.9	0.9
Total	**$2.5**	**$3.6**	**$1.5**	**$7.6**

Note: Figures may not sum due to rounding.

Source: *Fiscal 2003 State Budget Books*; Department of Legislative Services

Maryland Higher Education Commission

The Maryland Higher Education Commission is charged with coordinating the growth and development of postsecondary education in the State. In fiscal 2003 the commission anticipates federal funds of $3.6 million for college preparation programs, teacher training programs, student financial aid, and veterans' educational assistance.

Special fund revenues of $1.8 million come from licensing fees generated by the Maryland Board of Physician Quality Assurance. Other special funds of almost $675,000 are

paid to the commission by nonpublic, postsecondary institutions for the Guaranteed Student Tuition Fund and the Maryland Digital Library.

Sections of the Maryland Annotated Code

Education Article, Title 11

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Maryland Prepaid College Trust

The Maryland Prepaid Tuition Savings Program was created in 1997 and later renamed the Maryland Prepaid College Trust. The agency administers two savings plans for higher education: a defined benefit plan – the Prepaid College Trust – and an investment plan – the Maryland College Investment Plan. The agency expects to receive approximately $1.5 million in nonbudgeted funds in fiscal 2003 from application fees and program contributions.

The Prepaid College Trust program allows people to invest money on behalf of a child to cover the future costs of higher education tuition and fees. Payment plans are based on contracts purchased on an individual basis. Costs for a contract are based on the current cost for tuition and fees, the number of years until the child enters college, and anticipated costs of tuition and fees at the time of enrollment. Payments will be invested with the intent of covering future costs. The program has a statutory guarantee, requiring the Governor to include in the annual budget bill funding sufficient to cover any shortfall between the program's obligations and assets, should one occur.

The Maryland College Investment Plan allows contributions to an investment account that can later be used to pay for higher education-related expenses such as tuition, fees, books, supplies, and equipment, as well as certain room and board expenses for students who attend college at least half-time. Allowable expenses are defined by the federal Internal Revenue Service. Benefits are based solely on investment performance, and set payments are not required.

Sections of the Maryland Annotated Code

Education Article, Title 18, Subtitles 19 and 19A

K-12 Education

A summary of the estimated fiscal 2003 revenues to be collected by the Maryland State Department of Education is set forth in Exhibit 15.3. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is a summary of the same revenues, shown by source.

Exhibit 15.3
K-12 Education Revenue Estimates
Fiscal 2003
($ in Millions)

Revenues by Agency/Program	Special Funds	Federal Funds	Total
Primary and Secondary Education	$38.2	$618.4	$656.6
Rehabilitation Services		52.0	52.0
Subcabinet for Children, Youth, and Families	1.8	29.3	31.1
Maryland School for the Blind	4.1	0.7	4.8
Maryland School for the Deaf	0.1	0.8	0.9
Total	**$44.2**	**$701.2**	**$745.4**

Revenues by Source	Special Funds	Federal Funds	Total
Students with Disabilities		$228.6	$228.6
Food Services Program		146.8	146.8
Educationally Deprived Children	$ 0.2	132.2	132.4
Class Size Initiative		20.7	20.7
Career and Technology Education		14.3	14.3
Innovative Programs		14.0	14.0
Children at Risk		12.5	12.5
Adult Continuing Education		6.6	6.6
Science and Mathematics Education Initiative		5.0	5.0
Public Libraries		2.0	2.0
Language Assistance		1.5	1.5
School Technology	0.2		0.2
Retirement Contribution Reimbursements	33.3		33.3
Rehabilitation Services		52.0	52.0
Temporary Assistance for Needy Families		22.9	22.9
Family Preservation and Foster Care Grants		6.4	6.4
Subcabinet Funds	1.8		1.8
Maryland School for the Blind	4.1	0.7	4.8
Maryland School for the Deaf	0.1	0.8	0.9
Miscellaneous	4.5	34.2	38.7
Total	**$44.2**	**$701.2**	**$745.4**

Note: Detail may not add to total due to rounding.
Source: *Fiscal 2003 State Budget Books*; Department of Legislative Services

Primary and Secondary Education

Of $618.4 million in anticipated federal funds for primary and secondary education for fiscal 2003, 82 percent will be received from three programs: special education, child nutrition, and educationally deprived children. The department is expected to receive $228.6 million under the federal Individuals with Disabilities Education Act and the Medicaid program to provide special education services to eligible children and infants and their families. Federal funds of $146.8 million under the Child Nutrition Act, the National School Lunch Act, and other federal legislation will subsidize free and reduced priced breakfasts and lunches to low-income school-age and preschool-age children. An estimated $132.2 million in federal fund revenues are anticipated under the Elementary and Secondary Education Act to support the special educational needs of educationally deprived children.

The remaining federal funds for primary and secondary education for fiscal 2003 come from a variety of sources, including $20.7 million from the U.S. Department of Education for class size reduction. Special funds of approximately $33.3 million for the Governor's Teacher Salary Grant Program for fiscal 2003 are received from reimbursements from county boards of education for retirement contributions for salaries paid from State aid or federal funds.

Sections of the Maryland Annotated Code

Education Article, Title 5, Subtitle 2

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Rehabilitation Services

Approximately $52.0 million in federal funds expected in fiscal 2003 will supplement State funds to provide vocational rehabilitation services to prepare disabled citizens for employment and provide cash payments to those citizens who are totally or permanently disabled and unable to work. The Maryland State Department of Education coordinates vocational rehabilitation field offices throughout the State and maintains the Maryland Rehabilitation Center, which offers vocational and independent living rehabilitation services.

Sections of the Maryland Annotated Code

Education Article, Sections 5-201 and 5-202

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Subcabinet for Children, Youth, and Families

The Subcabinet for Children Youth, and Families is the interagency funding mechanism used to support a coordinated delivery system for services to the State's children, youth, and families. The Maryland State Department of Education serves as the fiscal agent for the subcabinet, while the Governor's Office for Children, Youth, and Families provides for overall planning and monitoring of services at the State level. Local management boards, which coordinate the provision of services in each jurisdiction, receive a majority of the dollars budgeted in the subcabinet. For fiscal 2003, $29.3 million of the subcabinet's budget consists of federal funds. Of this amount, $22.9 million is from the State's Temporary Assistance for Needy Families block grant. The remaining $6.4 million comes from two federal programs used to support family preservation services. The subcabinet relies to a lesser extent on special funds. As authorized by law, the subcabinet may carry over unspent funds from previous fiscal years. This special fund source finances nearly $1.8 million of the fiscal 2003 budget. In addition, local governments are expected to contribute just under $50,000 to help support services provided through the local management boards.

Sections of the Maryland Annotated Code

Article 49D

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Maryland School for the Blind

The Maryland School for the Blind, in conjunction with the Maryland State Department of Education and local boards of education, is charged with meeting the educational needs of blind children. Each county pays the Maryland School for the Blind $200 annually for each child sent from the county to the school. The school's curriculum is similar to most public school curricula with additional services necessary for visually impaired students. For students requiring enhanced services, each county must contribute its local share of the average amount that county spends to educate a nonhandicapped child. Counties do not have to pay the $200 tuition for students enrolled in enhanced services. Anticipated special fund revenues of $4.1 million in fiscal 2003 are derived mostly from the

principal from bequests and the school's endowment, grants, private gifts, investment income, and tuition. Federal fund revenues of approximately $727,000 are anticipated in fiscal 2003, primarily from special education grants and Medicaid.

Sections of the Maryland Annotated Code

Education Article, Title 8, Subtitle 3

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Maryland School for the Deaf

The Maryland School for the Deaf is charged with providing an educational program that focuses on academic, vocational, and social development. Maryland residents do not pay tuition, but nonresident students do, with the school determining tuition rates. For students requiring enhanced services, each county must contribute its local share of the average amount that county spends to educate a nonhandicapped child. The majority of the school's special funds come from these local payments. The remaining special funds come from food sales, student activity fees, and gifts. Federal funds primarily come from nutrition programs, special education grants, and Medicaid.

Sections of the Maryland Annotated Code

Education Article, Title 8, Subtitle 3

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Miscellaneous

The Maryland State Department of Education receives revenues from various special and federal fund sources to help administer the State's education programs, rehabilitation services, and libraries. These sources for fiscal 2003 are listed below.

Special Funds	**Amount**
Blind Vendors Program	$2,397,965
Fees	817,264
Third Party Recoveries for Vocational Rehabilitation	440,868
National Board for Professional Teaching Standards	229,800
Character Education Partnership	177,147
Education Partnership Fund	168,000
Maryland Public Secondary School Athletic Association	103,074
Other Revenues	175,091
Total	**$4,509,209**

Federal Funds	**Amount**
Special Education	$ 6,229,982
Rehabilitation Services	6,191,154
Administration and Finance	6,093,282
Management Information	4,806,921
Professional, Strategic, Instructional, and Staff Development/Certification and Accreditation	3,086,610
Student and School Services	2,810,592
Career Technology/Adult Learning	2,470,435
Correctional Education	1,447,933
Libraries	1,075,651
Total	**$34,212,560**

Chapter 16. Health, Human Resources, and Juvenile Justice

Department of Health and Mental Hygiene

A summary of the revenues to be collected by the Department of Health and Mental Hygiene in fiscal 2003 is presented in Exhibit 16.1. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 16.1
Department of Health and Mental Hygiene Revenue Estimates
Fiscal 2003
($ in Millions)

Revenues by Agency/Program	General Funds	Special Funds	Federal Funds	Total
AIDS Administration		$ 0.3	$ 42.4	$ 42.7
Department Administration	$ 3.6	0.1	7.6	11.3
Community & Family Health Administrations	1.0		88.9	89.9
Chronic Disease Services	10.2	7.4		17.6
Alcohol & Drug Abuse Administration		0.3	32.4	32.7
Mental Hygiene Administration	27.2	2.8	173.7	203.7
Developmental Disabilities Administration	26.4	3.9	143.3	173.6
Health Care Policy & Regulation		70.7	4.3	75.0
Laboratories Administration	2.5	0.1	2.6	5.3
Medical Care Programs – Medicaid		16.5	1,632.0	1,648.5
Total	**$70.9**	**$102.1**	**$2,127.2**	**$2,300.2**

Revenues by Source	General Funds	Special Funds	Federal Funds	Total
AIDS/HIV			$ 42.4	$ 42.4
Ryan White Local Funds/SSI Grants		$ 0.3		0.3
Vital Records	$ 3.6			3.6
Indirect Cost Recoveries			7.6	7.6
Women, Infants, & Children – WIC			51.1	51.1
Maternal & Child Health Services			7.3	7.3
Preventive Health Services			3.2	3.2
Family Planning Initiatives			3.2	3.2
Immunization Programs			4.1	4.1
Miscellaneous Community & Public Health Programs			20.0	20.0

Exhibit 16.1 (continued)

Revenues by Source	General Funds	Special Funds	Federal Funds	Total
Environmental Health Inspections	1.0			1.0
Medical Assistance Program Funds for Specialty Mental Health Services			162.0	162.0
Various Federal Block Grants for Mental Health Services			11.7	11.7
Noninsurance Fee Collections for Services at Western Maryland Center & Deer's Head Center for Renal Dialysis		7.4		7.4
Substance Abuse Block Grant			32.4	32.4
Waiting List Initiative		1.4		1.4
Prior Year DDA Grants		2.5		2.5
Medical Assistance for DDA			143.3	143.3
Health Occupations Licensing & Fees		17.9		17.9
Health Services Cost Review Commission User Fee		3.2		3.2
Uncompensated Care Funds		40.8		40.8
Maryland Health Care Commission User Fee		8.6		8.6
Administrative & Certification Activities			4.3	4.3
Testing Fees	2.5	0.1		2.6
HIV, Tuberculosis, & Sexually Transmitted Disease Control			2.6	2.6
Medicaid – Federal Share			1,632.0	1,632.0
Hospital Patient Recoveries	63.8	12.5		76.3
Donations, Food Sales, & Other Grants		7.4		7.4
Total	**$70.9**	**$102.1**	**$2,127.2**	**$2,300.2**

Source: *Fiscal 2003 State Budget Books*; Department of Health and Mental Hygiene; Department of Legislative Services

AIDS Administration

The fiscal 2003 budget of the AIDS Administration is supported by $42.4 million in federal funds, which is over 86 percent of the administration's budget. Most of the funds come from HIV Care Formula Grants and funds for HIV prevention activities. Increases in the HIV Care Formula Grants are formula-driven while funds for HIV prevention activities are awarded competitively.

The administration also expects to receive special funds of approximately $280,000 in fiscal 2003, primarily from federal Supplemental Security Income and Ryan White local funding grants.

Sections of the Maryland Annotated Code

Health – General Article, Title 18, Subtitle 3, Part VI

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Department Administration

The Department of Health and Mental Hygiene estimates it will collect $3.6 million in general fund revenues in fiscal 2003 from the printing and sale of vital records.

Federal funds estimated at $7.6 million are expected to be collected from indirect cost recoveries.

Sections of the Maryland Annotated Code

Health – General Article, Title 2

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Community Health and Family Health Administrations

Federal funds of $88.9 million expected in fiscal 2003 for the Community Health and Family Health administrations include $51.1 million for the Supplemental Food Program for Women, Infants, and Children, $7.3 million for maternal and child health services, $3.2 million for preventive health services, $3.2 million for family planning initiatives, $4.1 million for immunization programs, and $20 million in various other programs.

Under various environmental health programs, the Community Health Administration also should collect an estimated $1.0 million in general funds form various inspection fees (e.g., in the milk control program).

Sections of the Maryland Annotated Code

Health – General Article, Titles 13, 17, and 18

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II
Maryland's Budget Process, Volume IV

Chronic Disease Services

At Maryland's two State-run chronic and rehabilitative hospitals, Western Maryland Center and Deer's Head Center, the Department of Health and Mental Hygiene provides chronic care and treatment to patients who require hospital-level rehabilitation, as well as inpatient and outpatient renal dialysis. Renal dialysis service in fiscal 2003 is supported primarily by special fund collections of $7.4 million, representing payments from patients, legally responsible relatives, and third party payers.

Hospital patient recoveries at the two chronic hospitals are expected to generate $10.2 million in general funds in fiscal 2003. These revenues consist of Medicare, Medicaid, private health insurance, and out-of-pocket payments made on behalf of the patients. State law requires each recipient of services and those legally responsible for them to pay for the cost of care, if they are financially able to pay.

Sections of the Maryland Annotated Code

Health – General Article, Title 19, Subtitle 5

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Alcohol and Drug Abuse Administration

In fiscal 2003 Maryland expects to receive approximately $32.4 million in federal funds for alcohol and drug abuse treatment services, primarily through the Substance Abuse and Prevention and Treatment Block Grant. These revenues provide addictions services through private and nonprofit agencies and local health departments. Programming includes sub-acute detoxification, residential intermediate care, intensive outpatient care, halfway houses, and outpatient and prevention services for adults and adolescents.

Special funds of $0.3 million are expected from donations, food sales, and other grants.

Sections of the Maryland Annotated Code

Health – General Article, Title 8

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Mental Hygiene Administration

The Mental Hygiene Administration is projected to collect $27.2 million in general funds through hospital patient recoveries in fiscal 2003. These revenues consist of Medicare, Medicaid, private insurance, and out-of-pocket payments made on behalf of patients in the State's various psychiatric hospitals.

Federal fund revenues for the Mental Hygiene Administration total $173.7 million in fiscal 2003, of which $162 million is from Medical to provide specialty mental health services not covered under Medicaid's managed care program, HealthChoice.

The remaining federal funds are derived from a variety of grants including the Block Grant for Community Mental Health Services, Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances, and Shelter Plus Care.

Special fund revenues from donations, employee food sales, and reimbursements from county and community programs housed at State facilities are estimated at $2.8 million in fiscal 2003.

Developmental Disabilities Administration

The Developmental Disabilities Administration is estimated to collect $26.4 million in general funds through hospital patient recoveries in fiscal 2003. These revenues consist of Medicare, Medicaid, private health insurance, and out-of-pocket payments made on behalf of patients in the State's residential centers for people with developmental disabilities.

The Developmental Disabilities Administration should receive special fund revenues totaling $3.9 million, which includes $1.4 million from the Waiting List Equity Fund and $2.5 million from grant activity. Federal fund revenues for fiscal 2003 total $143.3 million from the Medical Assistance Program.

Sections of the Maryland Annotated Code

Health – General Article, Titles 7 and 10

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Health Care Policy and Regulation

The 17 health occupations boards are charged with licensing and regulating health care professionals. Legislation enacted in 1992 made all the health regulatory boards (except Nursing Home Administrators) special fund agencies. In fiscal 2003 special fund revenues of $17.9 million are anticipated, representing license and examination fees collected by the boards.

The Health Services Cost Review Commission was established in 1971 to regulate hospital charges in Maryland. Rates established by the commission are binding on all payers, including Medicare and Medicaid. The commission imposes a user fee on the facilities it regulates, with special fund fee revenues anticipated at $3.2 million in fiscal 2003.

In addition, the Health Services Cost Review Commission is responsible for administering the Uncompensated Care Fund, which is funded by fees collected from all hospitals and redistributed to those hospitals that serve a disproportionate share of the uninsured and under-insured population. These fees are expected to generate $40.8 million in special funds in fiscal 2003.

In 1999 the Health Resources Planning Commission and the Health Care Access and Cost Commission were merged to form the Maryland Health Care Commission. The commission's budget is supported by fees assessed on health insurers, health maintenance organizations, third party administrators, and health care providers. Special fund revenues from this fee of $8.6 million are expected in fiscal 2003.

The Office of Health Care Quality within the Department of Health and Mental Hygiene is expected to receive $0.2 million in special fund revenues from federal civil penalties in fiscal 2003. In addition, the office will receive $4.3 million in federal funds for State survey and certification of health care providers and suppliers that provide Medicare services.

Sections of the Maryland Annotated Code

Health Occupations Article, Titles 1 through 21 (boards and commissions); and Health – General Article, Title 19 (health care facilities)

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Laboratories Administration

The Laboratories Administration provides various laboratory services, including testing to assist physicians and health officials in the prevention, diagnosis, and control of human disease; planning against bioterrorism attacks; examinations in connection with the enforcement of pure food and drug laws; scientific substantiation for surveillance of the environment in order to detect water pollution, air pollution, and other conditions that adversely affect health; emergency laboratory support in response to environmental disasters and disease outbreaks; and enforcement of minimum standards and qualifications for all tissue banks and medical and environmental laboratories in Maryland. As part of its work, the Laboratories Administration collects fees (general funds) for providing these services and receives federal funds through a variety of grants to control such public health concerns as bioterrorism activity and disease control. General funds of $2.5 million, special funds of $0.1 million, and federal funds of $2.6 million are estimated for fiscal 2003.

Sections of the Maryland Annotated Code

Health – General Article, Title 17

Medical Care Programs (Medicaid)

The Medical Care Programs Administration, a unit of the Department of Health and Mental Hygiene, is responsible for administering the Medical Assistance Program (Medicaid), the Maryland Pharmacy Assistance Program, the Maryland Children's Health Program, and the Maryland Pharmacy Discount Program.

The federal share of Medicaid expenses is expected to total $1.6 billion in fiscal 2003. The funds will be spent to meet the administrative costs of the program, pay a portion of the capitated fees to Medicaid managed care organizations, and reimburse medical providers and pharmacies for prescription drugs and services, such as nursing home and medical day care.

Anticipated special fund revenues for fiscal 2003 consist of $12.5 million from recoveries from Medicaid providers and $4 million from other grants and fee collections.

Sections of the Maryland Annotated Code

Health – General Article, Title 15

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Department of Human Resources

A summary of the revenues to be collected by the Department of Human Resources in fiscal 2003 is shown in Exhibit 16.2. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 16.2
Department of Human Resources Revenue Estimates
Fiscal 2003
($ in Millions)

Revenues by Agency/Program	Special Funds	Federal Funds	Total
Social Services	$11.5	$208.7	$ 220.2
Community Services	34.9	90.8	125.7
Child Support Enforcement	3.6	59.3	62.9
Family Investment	20.5	418.1	438.6
Child Care		139.6	139.6
Miscellaneous	4.1	69.0	73.1
Total	**$74.6**	**$985.5**	**$1,060.1**

Exhibit 16.2 (continued)

Revenues by Source	Special Funds	Federal Funds	Total
Food Stamp Program		$ 244.7	$ 244.7
Temporary Assistance for Needy Families Block Grant		204.8	204.8
Foster Care – Title IV-E		164.7	164.7
Child Care Development Fund		138.4	138.4
Child Support Enforcement – Title IV-D		69.0	69.0
Medicaid Administration		64.5	64.5
Electric Universal Service Program	$ 34.0		34.0
Social Services Block Grant		32.8	32.8
Home Energy Assistance Grants		31.0	31.0
Child Support Offset – Assistance Payments	11.6		11.6
Adoption Assistance		10.9	10.9
Local Government Contributions	10.0		10.0
Child Welfare/Family Preservation		7.5	7.5
Refugees and Entrant Assistance		6.7	6.7
Crime Victim's Assistance Program		6.5	6.5
Interim Assistance Reimbursement for Disabled Adults	4.5		4.5
Child Support Reinvestment Fund	3.4		3.4
Cooperative Reimbursement Agreement Fees	1.2		1.2
Miscellaneous	9.9	4.0	13.9
Total	**$74.6**	**$985.5**	**$1,060.1**

Source: *Fiscal 2003 State Budget Books*; Department of Human Resources; Department of Legislative Services

Social Services

Foster Care Title IV-E

The Department of Human Resources will receive approximately $165 million from the federal Foster Care Title IV-E fund in fiscal 2003. These funds mainly support services for vulnerable adults and children in foster care and adoption provided through the Social Services Administration and the Community Services Administration. Title IV-E funds, which are an uncapped entitlement for the states, cover 50 percent of the foster care and subsidized adoption expenses for very low-income children.

Adoption Assistance, Child Welfare, and Family Preservation

The State will receive a federal grant of $10.9 million for adoption assistance payments in fiscal 2003, as well as an additional $5.1 million in federal funds for child welfare services. These revenues are designed to supplement existing State and local funding, with a particular emphasis on programs enabling children to remain in their own homes or alternative permanent homes.

Federal funds of $2.3 million are also received from the Promoting Safe and Stable Families Act program. This program funds community-based, family preservation services for families at risk or in crisis, reunification and transition services, and adoption promotion and support services for foster children. The State award is based on the number of children receiving food stamps.

Social Services Block Grant

The Social Services Block Grant is another major source of federal revenues for child and adult welfare services. In addition to the goal of preventing neglect, abuse, or exploitation of children and adults, the block grant provides funding to social service programs that reduce dependency on welfare programs, prevent inappropriate institutional care, and secure appropriate institutional care. For fiscal 2003 the State is expecting a grant of $32.8 million.

Sections of the Maryland Annotated Code

Generally, Article 88A

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Community Services

Low-income Home Energy Assistance Program

Maryland is expected to receive a $31.0 million grant from the federal Low-income Home Energy Assistance Program in fiscal 2003. The Community Services Administration uses these funds to administer the Maryland Energy Assistance Program, which provides direct payments to a homeowner or energy supplier to assist eligible households in meeting the costs of home energy. Funds are also available for some low cost residential

weatherization. To qualify, individual household income must not exceed 150 percent of the federal annually adjusted poverty level. During times of high energy costs and extreme weather conditions the federal government may provide supplemental grants to the states.

Electric Universal Service Fund

Created in 1999, the special, nonlapsing Electric Universal Service Fund provides energy assistance to low-income electric customers through the Electric Universal Service Program.

As provided in the 1999 electric restructuring legislation, $34.0 million is collected annually from ratepayers and paid into the fund to support the universal service program during its first three years. Beginning in fiscal 2004, the legislature, with the advice of the Department of Human Resources and the Public Service Commission, is to determine the level of funding.

Refugees' Assistance

The Community Services Administration will receive approximately $6.7 million in federal funds in fiscal 2003 from the Federal Refugees and Entrant Assistance Grants. These funds provide cash, medical assistance, and various social services to refugees to assist their resettlement in the United States. The program is 100 percent federally funded.

Victims' Services

In fiscal 2003 the Department of Human Resources will receive a $6.5 million federal Crime Victim Assistance Grant. The Community Services Administration's Victim Services Program uses the funds for crisis counseling, shelter services, criminal justice support services, and community services and referrals. The level of federal financial support is based on a formula tied to population.

Sections of the Maryland Annotated Code

State Finance and Procurement Article, Section 7-315; and generally, Article 41, Title 6, Subtitle 2

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Child Support Enforcement

Title IV-D

Maryland receives a federal grant from the Title IV-D Child Support Enforcement Program amounting to two-thirds of the State's total costs for child support enforcement. In fiscal 2003 the State will receive $69.0 million through this federal program for several purposes: (1) enforce the support obligations owed by absent parents to their children; (2) locate absent parents; (3) establish paternity; and (4) obtain child, spousal, and medical support.

Child Support Reinvestment Fund

The Child Support Reinvestment Fund is a special, nonlapsing fund that consists of federal child support enforcement performance incentive payments received by the Department of Human Resources in a fiscal year. In fiscal 2003 the fund will receive approximately $3.4 million in special funds.

The fund is used to leverage federal funds at the federal child support enforcement matching rate of 66 percent. Under State law, reinvestment dollars may only be used for: (1) privatization and outsourcing; (2) development of special projects; (3) automation; (4) an employee performance incentive program; (5) staff development and training; (6) community outreach; and (7) public awareness projects. Among other changes, Chapter 53 of 2000 lifted the restriction that only 70 percent of the federal incentive dollars received by the State may be placed in the fund and eliminated the $5 million cap on the fund.

Cooperative Reimbursement Agreements

Another $1.2 million in special fund revenues is expected from cooperative reimbursement agreement monitoring fees. Under cooperative reimbursement agreements, the Department of Human Resources draws down and passes on to local agencies federal matching funds for child support services that the local entities will provide. The agreements assign responsibility for monitoring local performance to the Department of Human Resources and require the local entities to reimburse the department for monitoring costs. The fees are used to cover a portion of the department's child support administrative costs.

Sections of the Maryland Annotated Code

Generally, Family Law Article, Sections 10-106 through 10-117

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Family Investment

Temporary Assistance for Needy Families

Federal legislation enacted in 1996 abolished Aid to Families with Dependent Children as an uncapped welfare entitlement program and replaced it with the Temporary Assistance for Needy Families (TANF) Block Grant. Under TANF, Maryland is eligible to receive a $229.1 million block grant each year as long as it meets a maintenance of effort requirement of $177 million ($189 million if the State fails to comply with federal work participation requirements). Funds that are not expended during a fiscal year remain available to the State in subsequent fiscal years. The Department of Human Resources will receive $204.8 million from the block grant to support its programming in fiscal 2003; the remaining dollars will be used by the Maryland State Department of Education and the Subcabinet for Children, Youth, and Families. The Department of Human Resources will spend its share of the TANF dollars on the family investment program, child welfare, child care, and administration.

Due to the sharp decline in welfare rolls in the first few years of welfare reform, the State accumulated surplus TANF dollars. In fiscal 2003 the State budgeted $233.4 million ($229.1 million block grant plus $4.3 million in previous years' surplus) for TANF expenditures.

Food Stamps

The food stamps program administered by the U.S. Department of Agriculture provides funding for vouchers to low-income families to improve their food purchasing abilities. Benefit costs are covered entirely with federal dollars, while administrative costs are shared evenly by the State and federal government. In fiscal 2003 the State will receive a grant of $244.7 million for food stamp benefits and administrative costs.

Child Support Offset – Assistance Payments

Child support payments made by noncustodial parents of children receiving cash assistance are evenly divided and retained by the State and federal government to offset cash assistance benefits. The State share is a special fund revenue source and is used for

administrative costs in the Family Investment Administration. In fiscal 2003 the State expects to realize $11.6 million in special funds from these offset payments.

Transitional Emergency Medical and Housing Assistance

Budgeted as special fund revenue, the State receives a reimbursement for State financed cash assistance provided to disabled adults while they had a successful application for federal Supplemental Security Income benefits pending. Through the Transitional Emergency Medical and Housing Assistance Program (TEMHA), Maryland provides cash assistance to adults without dependents who have a disability. The benefit is limited to 12 months unless the individual has an application for federal benefits pending. Individuals receiving TEMHA benefits who eventually qualify for federal benefits receive the federal cash assistance retroactive to the date of application and are required to reimburse the State for any TEMHA benefits received while the federal application was pending. In fiscal 2003 the State anticipates $4.5 million from benefit reimbursements (special funds).

Medicaid

In fiscal 2003 the Department of Human Resources will receive $64.5 million from Medicaid. Of this amount, $57.1 million will be used for administrative costs within several of the department's administrations. Most significantly, funds will be used to determine financial eligibility for the Medicaid program administered by the Department of Health and Mental Hygiene.

The remaining $7.4 million is attributable to the new Medicaid waiver for disabled adults: Living at Home – Maryland Community Choices. Begun in April 2001, this waiver program is designed to divert disabled adults ages 21 through 59 from nursing home placements and provides several services, including case management, attendant care, assistive technology, environmental adaptations, and personal emergency response systems.

Child Care

Child Care Development Fund

The federal Child Care Development Fund, formerly the Child Care Development Block Grant, provides grants for child care subsidies and quality enhancement initiatives. The federal grant consists of three parts: a mandatory portion that the State receives automatically each year; a matching grant that requires a dollar for dollar State match (above and beyond federal fiscal 1995 State expenditures on child care); and a discretionary

component that is awarded through the annual federal budget process. Excess funds in the discretionary component can be carried forward from one year to the next. This grant depends on the population of children under certain ages from the 2000 census, the number of children participating in the Free and Reduced Lunches Program, and the State's per capita income in certain years.

The fiscal 2003 appropriation assumes the same grant amount of $79.0 million as in fiscal 2002. Combined with unexpended child care funds from prior fiscal years, the fiscal 2003 estimated revenue from this source totals $138.4 million.

Sections of the Maryland Annotated Code

Generally, Article 88A

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Miscellaneous

The Department of Human Resources also generates revenues from various other sources. These sources are listed below.

Special Funds	**Amount ($ in Millions)**
Dedicated Purpose Account	**$9.9**
Federal Funds	
Independent Living – Social Services	$1.2
Child Abuse and Neglect Grants	0.5
Maternal and Child Health Federal Consolidated Program	0.4
Children's Justice Grants	0.3
Supportive Housing Program	0.3
Family Violence Prevention	1.0
Total	**$4.0**

Note: Figures do not sum due to rounding

Department of Juvenile Justice

A summary of the revenues to be collected by the Department of Juvenile Justice in fiscal 2003 is shown in Exhibit 16.3. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 16.3
Department of Juvenile Justice Revenue Estimates
Fiscal 2003
($ in Millions)

Revenues by Agency/Program	Special Funds	Federal Funds	Total
Office of the Secretary	$0.1	$ 0.6	$ 0.7
Residential Services	0.2	2.3	2.5
Admissions		1.7	1.7
Community Justice Supervision		10.7	10.7
Total	**$0.3**	**$15.3**	**$15.6**

Revenues by Source	Special Funds	Federal Funds	Total
Audit Settlements	$0.1		$ 0.1
Donations	0.2		0.2
Foster Care (Title IV-E)		$10.2	10.2
Substance Abuse		1.0	1.0
Breakfasts		1.4	1.4
Title I		1.3	1.3
Miscellaneous Federal Grants		1.4	1.4
Total	**$0.3**	**$15.3**	**$15.6**

Source: *Fiscal 2003 State Budget Books*; Department of Juvenile Justice; Department of Legislative Services

Office of the Secretary

The Department of Juvenile Justice will receive approximately $581,000 in federal funds for fiscal 2003 related to Title IV-E Foster Care. Special funds of approximately $100,000 are expected from audit settlements with contractors.

Residential Services

Residential Services supervises residential facilities and their programs for youth detained or committed by the court. Its operations promote the continuity of integrated case management based on a youth's level of risk and need. The bulk of its federal funding ($2.3 million for fiscal 2003) is from the Title I Program for Neglected and Delinquent Children ($1.3 million), the School Breakfast Program (approximately $580,000), and substance abuse services (approximately $400,000). Special funds totaling approximately $157,000 are expected to be received in fiscal 2003, primarily from donations.

Admissions

Admissions develops and oversees the systematic screening, assessment, and treatment of youth who come to the attention of the department. Needs related to family functioning and the youth's physical health, mental health, substance abuse, and educational and vocational needs are also identified. Screening, assessment, and evaluation results contribute to the development of an individualized service plan for the youth.

Federal fund revenues are primarily derived from two sources: the School Breakfast Program ($842,558) and substance abuse grants ($811,500).

Community Justice Supervision

Community Justice Supervision provides 24-hour intake, probation, aftercare, and community detention services in each jurisdiction for youths under the jurisdiction of the department and their families. As part of its supervision and treatment services, Community Justice Supervision is responsible for collecting cash restitution, monitoring community reparations, and collaborating with other agencies in linking youth and their families to resources in the community. The agency will receive $9.7 million in federal Title IV-E Foster Care funding and $1.0 million in miscellaneous federal grants in fiscal 2003.

Sections of the Maryland Annotated Code

Generally, Article 83C, Title 2

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Chapter 17. Economic Development and Housing

Department of Business and Economic Development

A summary of the revenues to be collected by the Department of Business and Economic Development in fiscal 2003 is shown in Exhibit 17.1. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 17.1
Department of Business and Economic Development Revenue Estimates
Fiscal 2003
($ in Millions)

Revenues by Agency/Program	Special Funds	Federal Funds	Total
Financing Programs	$28.3		$28.3
Miscellaneous	0.6	$0.5	1.1
Total	**$28.9**	**$0.5**	**$29.4**

Revenues by Source	Special Funds	Federal Funds	Total
Investment Earnings, Loan Repayment, & Interest Earned (MSBDFA)	$ 6.8		$ 6.8
Investment Earnings & Loan Insurance Premiums (MIDFA)	1.8		1.8
Investment Earnings & Interest Earned (Enterprise Investment Fund)	1.1		1.1
Investment Earnings & Loan Repayment (MEAF)	1.1		1.1
Investment Earnings, Loan Repayment, & Interest Earned (MEDAAF)	16.8		16.8
Investment Earnings, Loan Repayment, & Interest Earned (MCAFF)	0.5		0.5
Investment Earnings, Loan Repayment, & Interest Earned (One Maryland)	0.2		0.2
Miscellaneous	0.6	$0.5	1.1
Total	**$28.9**	**$0.5**	**$29.4**

Source: *Fiscal 2003 State Budget Books*; Department of Business and Economic Development; Department of Legislative Services

Financing Programs

The department's various financing programs are expected to generate approximately $28.3 million in special fund revenues in fiscal 2003.

Special fund income of $6.8 million for the Maryland Small Business Development Financing Authority is expected from the repayment of loans and interest on reserves in fiscal 2003. Loans and other financing assistance are provided to small businesses and contractors, as well as socially and economically disadvantaged persons engaged in business, through the following programs: (1) Surety Bond Guaranty Program; (2) Long Term Guaranty Program; (3) Equity Participation Investment Program; and (4) Contract Financing Program.

The Maryland Industrial Development Financing Authority anticipates special fund income of $1.8 million from insurance premiums, fees, and interest on reserves. The program was established to facilitate financing support for manufacturing, industrial, and technology-based businesses. The fund does not make direct loans but insures transactions made by conventional financial institutions for working capital, fixed assets, letters of credit, and leasing, and provides linked deposits. The fund can also issue or insure taxable and tax-exempt economic development revenue bonds on behalf of businesses.

The Maryland Enterprise Investment Fund is expected to generate $1.1 million in special funds from earnings on investments and interest on reserves. The fund consists of two programs, the Enterprise Investment Program and Challenge Investment Program, which operate much like a private sector venture capital fund. The Enterprise Investment Program makes direct equity investments in "second stage" companies that are developing innovative technologies. Investment returns are limited to 25 percent of a company's total equity, and the fund seeks a return on its investment within three to seven years. Individual investments, except those made in venture capital limited liability companies, are limited to $500,000 and may not exceed 15 years in duration. The Challenge Investment Program provides financing in the early development stages of technology-driven companies that are commercializing new products and services. Funds are provided as royalty-bearing investments and are limited to $100,000.

The Maryland Economic Adjustment Fund is expected to produce $1.1 million of special fund revenues through loan repayments and interest on reserves. The fund was established to make loans to new or expanding companies in communities suffering dislocation due to adjustments in the federal defense industry. The loans enable the companies to modernize their manufacturing operations, develop commercial applications for technology, or enter into and compete in new economic markets.

Special funds of 16.8 million are expected from the Maryland Economic Development Authority and Assistance Fund. Established in 1999, the program was designed to provide below market long-term fixed rate financing to specific growth industry sector businesses locating or expanding in a State priority funding area. The Financing Programs Consolidation Act of 2000 eliminated duplicative and unproductive financing programs and consolidated others. The consolidation expanded the program to include capabilities that had existed in other programs, including the Maryland Industrial and Commercial Redevelopment Fund, the Maryland Industrial Land Act, the Brownsfield Revitalization Incentive Program, the Day Care Facilities Direct Loan Program, the Maryland Seafood and Aquaculture Loan Fund, and the Animal Waste Technology Fund. The consolidated fund provides loans, grants, and investments to the following five major economic development capabilities: (1) significant economic development opportunities; (2) local economic development opportunities; (3) direct assistance to local jurisdictions and the Maryland Economic Development Corporation; (4) regional or local revolving loan funds; and (5) special purpose loans.

Special funds of $0.5 million are expected from loan repayments and interest on reserves of the Maryland Competitive Advantage Financing Fund. The fund was established in 1999 to provide loans to small businesses, defined as those with annual revenues of less than $1.0 million and employing fewer than 100 full-time employees, that are unable to acquire financing from traditional lenders. Financial assistance can take the form of a loan, a loan guarantee, an interest subsidy, or other incentives to private lenders, and can range in size from $10,000 to $100,000.

The Smart Growth Economic Development Infrastructure Fund, commonly referred to as the One Maryland Fund, is expected to produce special funds of $0.2 million. The fund provides grants, loans, or equity investments to qualified distressed jurisdictions or the Maryland Economic Development Corporation for projects located in qualified distressed jurisdictions of the State. The funds can be used to finance the cost of acquisitions, improvements, and rehabilitation of land for industrial sites and parks; development of water and sewer lines; shell buildings; infrastructure serving existing retail and office park centers; and other needed infrastructure projects. To qualify as economically distressed, a jurisdiction must have an average rate of unemployment for the most recent 18-month period greater than 150 percent of the average rate of unemployment for the entire State for the same reporting period, or average per capita income equal to or less than 67 percent of the average personal per capita income for the entire State. Currently, seven jurisdictions qualify as distressed jurisdictions: Baltimore City and Allegany, Caroline, Dorchester, Garrett, Somerset, and Worcester counties.

Sections of the Maryland Annotated Code

Article 83A, Sections 5-501 through 5-503, 5-701, 5-901 through 5-933, 5-1001 through 5-1048, 5-1301 through 5-1305, 5-1401 through 5-1311, and 6-501 through 6-512

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Miscellaneous

The Department of Business and Economic Development also generates revenues from several miscellaneous sources. These sources, which are expected to generate approximately $1.1 million in fiscal 2003, are listed below.

Special Funds	Amount
Receipts from Local Sponsors – Artists in Education	$200,000
Maryland Tourism Board Development Fund	400,000

Federal Funds	Amount
Promotion of the Arts Partnership Agreement	$534,300

Department of Housing and Community Development

The Department of Housing and Community Development is expected to collect approximately $202.1 million in fiscal 2003, as set forth in Exhibit 17.2. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 17.2
Department of Housing and Community Development Revenue Estimates
Fiscal 2003
($ in Millions)

Revenues by Agency/Program	Special Funds	Federal Funds	Total
Division of Development Finance	$28.4	$145.4	$173.8
Division of Neighborhood Revitalization	3.0	16.2	19.2
Division of Credit Assurance	5.8	0.0	5.8
Historical and Cultural Activities	1.2	0.8	2.0
Miscellaneous	0.6	0.8	1.3
Total	**$39.0**	**$163.1**	**$202.1**

Revenues by Source	Special Funds	Federal Funds	Total
Loan Repayment & Interest Earned (Home Financing)	$ 6.1		$ 6.1
Loan Repayment & Interest Earned (Special Loan)	5.9		5.9
Loan Repayment & Interest Earned (Rental)	6.9		6.9
Tax Exempt Bonds	6.9		6.0
Maryland Affordable Housing Trust	1.3		1.3
Utility Company Contributions	1.3		1.3
Westernization Assistance		$ 2.2	2.2
Lead-based Paint Hazard Control		0.5	0.5
Low Income Housing Assistance		135.7	135.7
Affordable Housing Grants		7.0	7.0
Loan Repayment & Interest Earned (Neighborhood Business Development)	3.0		3.0
Community Development Block Grant		8.3	8.3
Community Services Block Grant		7.9	7.9
Mortgage Insurance Premiums	4.3		4.3
Asset Management Administrative Fees	1.1		1.1
Loan Repayment & Interest Earned (Historic Preservation)	0.2		0.2
Property Transfer Tax (Heritage Areas)	1.0		1.0
Historic Preservation		0.8	0.8
Miscellaneous	1.0	0.7	1.7
Total	**$39.0**	**$163.1**	**$202.1**

Note Detail may not add to total due to rounding.

Source: *Fiscal 2003 State Budget Books*; Department of Housing and Community Development; Department of Legislative Services

Development Finance

The revenue estimate for the Division of Development Finance is $173.8 million in fiscal 2003, of which $28.4 million is special funds and $145.4 million is federal funds.

Special fund revenues of $6.1 million consist of loan repayments and interest earned on reserves of the Maryland Homeownership Programs Fund. Three active programs comprise the homeownership programs: the Maryland Home Financing Program makes direct loans to very low income households to purchase homes; the Reverse Equity Mortgage Program provides mortgage loans to limited income elderly homeowners so they can remain in their homes; and the Downpayments and Settlement Expense Loan Program assists limited income families in meeting closing cost requirements.

Special fund revenues of $5.9 million are derived from loan repayments and interest on reserves of the Special Loan Programs Fund. Program components include the Maryland Housing Rehabilitation Program, the Indoor Plumbing Program, the Lead Hazard Reduction Program, and the Group Home Financing Program. Collectively, the programs provide preferred interest rate loans and grants to: (1) families of low and moderate income; (2) sponsors whose small rental properties are leased substantially by limited income families; and (3) nonprofit sponsors of housing facilities. In general, the fund can be used to construct or rehabilitate single-family homes and multifamily housing with four or fewer units or to acquire properties for use as group homes or shelters.

Loan repayments and interest earned on reserves of the Rental Housing Fund account for $6.9 million in special fund revenues in fiscal 2003. Five programs are operated through the fund: (1) the Rental Housing Production Program; (2) the Elderly Rental Housing Program; (3) the Maryland Housing Rehabilitation Program; (4) the Nonprofit Rehabilitation Program; and (5) the Office and Commercial Space Conversion Program. The programs provide financial assistance to for-profit and nonprofit developers for the acquisition, construction, renovation, and rehabilitation of low and moderate income rental housing.

Special fund revenues of $6.9 million are derived from the General Bond Reserve Fund through investment in tax-exempt bonds. Revenues are used to cover administrative expenses within the Community Development Administration.

The Maryland Affordable Housing Trust provides $1.3 million in special funds generated from interest earned on the escrow accounts of title insurance companies.

Established in 1992, the trust is a charitable public corporation administered by a board of trustees and the department. Trust funds are provided to assist in the acquisition, construction, rehabilitation, or preservation of affordable housing.

A total of $3.5 million in special and federal funds is expected to finance weatherization and energy assistance programs in fiscal 2003. The Maryland Energy Overcharge Restitution Trust Fund, comprised of payments made by oil companies to the State for violations of federal petroleum pricing regulations, will provide $50,000 in special funds. An additional $1.3 million in special funds is expected to be contributed by utility companies and will be used to provide cost-effective energy conservation and education services to low income homeowners and renters through the Comprehensive Home Improvement Program. Federal funds of $2.2 million should be provided by the U.S. Department of Energy through the Weatherization Assistance for Low Income Persons Program. Annual grants are used to assist eligible low income households, particularly the elderly and handicapped, install energy conservation materials in their dwelling units.

The State is expected to receive $500,000 in federal funds from the Lead-Based Paint Hazard Control Program. This program provides State and federal funds to assist homeowners and landlords lessen the risk of lead poisoning and preserve housing stocks by reducing or eliminating lead-based paint hazards.

Federal funds of $135.7 million are expected through the Low Income Housing Assistance Program, commonly referred to as Section 8 Housing Program, to provide housing assistance payments to participating rental housing owners on behalf of eligible tenants. The goal is the provision of adequate, safe, and sanitary housing for low income families. Housing assistance payments are used to supplement a family's portion of rent payments.

Federal funds of $7.0 million are anticipated from the HOME Investment in Affordable Housing Program. This program, established under the federal Department of Housing and Urban Development in 1992, provides formula-based matching grants to eligible states and localities to help expand the supply of affordable housing for low and very low income individuals and families. The grant funds are also used to foster partnerships among public and private groups to strengthen the affordable housing supply.

Sections of the Maryland Annotated Code

Article 83B, Title 2, Subtitles 3, 5, 6, 7, 8, 10, and 11; and State Finance and Procurement Article, Section 7-315

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Neighborhood Revitalization

The revenue estimate for the Division of Neighborhood Revitalization is $19.2 million in fiscal 2003, of which $3.0 million is special funds and $16.2 million is federal funds.

The Neighborhood Business Development Program loan fund is expected to generate $3.0 million in special funds through loan repayments and interest on reserves. The program was established in 1995 to provide gap financing in the form of low-interest loans and grants to neighborhood-based businesses and nonprofit organizations in support of community-based economic development in designated revitalization communities.

The State will receive $8.3 million in federal funds in the form of Community Development Block Grants for the development of viable urban communities. These funds provide competitive grants to local governments in nonentitlement areas of the State for use in revitalizing neighborhoods, expanding affordable housing and economic opportunities, or improving community facilities and services. Entitlement areas receive a direct allocation of block grant funds from the U.S. Department of Housing and Urban Development and are not eligible for the State program.

The department will receive $7.9 million in federal Community Service Block Grant funds through the U.S. Department of Health and Human Services. These funds, administered by community action agencies, are used for services to low income individuals and families to assist this population to become self-sufficient.

Sections of the Maryland Annotated Code

Article 83B, Title 4, Subtitle 2

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Credit Assurance

The Division of Credit Assurance should receive special funds of $4.3 million in fiscal 2003. These funds consist of mortgage insurance premiums and will be credited to

the Maryland Housing Fund. The program provides residential mortgage loan primary insurance and pool insurance for mortgages financed with revenue bond proceeds issued by the Community Development Administration.

The division's Asset Management office manages the department's single family, multifamily, and small business portfolios, as well as its real estate assets. The office expects to receive $1.1 million in special funds from administrative fees for its asset review and management of projects that receive Section 8 subsidies.

Sections of the Maryland Annotated Code

Article 83B, Sections 3-201 through 3-208

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Historical and Cultural Programs

Revenues for the Division of Historical and Cultural Programs are estimated at $2.0 million in fiscal 2003, of which $1.2 million is special funds and $0.8 million is federal funds.

Federal funds of $0.8 million will be received through the Historic Preservation Fund Grants-In-Aid program to support various activities within the Division of Historical and Cultural Programs. The division coordinates the department's efforts in the areas of historic preservation, archeology, museum services, and ethnic heritage.

The Maryland Historical Revolving Loan Fund is expected to generate $0.2 million in special funds through loan repayments and interest on reserves. The fund makes loans to nonprofit preservation foundations, organizations, and individuals to encourage and implement the acquisition and restoration of historic properties.

Special funds of $1.0 million representing a direct transfer of the State's property transfer tax will be credited to the Maryland Heritage Areas Financing Fund in fiscal 2003. The fund provides grants in support of the development of "heritage tourism" by creating additional historic and scenic destinations throughout the State.

Sections of the Maryland Annotated Code

Generally, Article 83B, Title 5

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Miscellaneous

The Department of Housing and Community Development also generates revenues from various miscellaneous sources. These sources, which are expected to produce approximately $1.7 million in fiscal 2003, are listed below.

Special Funds	Amount
Rental Subsidy Loan Fund	$303,598
Jefferson Patterson Park Revenue	314,436
Revenue from Publications	23,657
Building Codes Administration Fees	400,000

Federal Funds	Amount
Emergency Shelter Grants	$522,110
Defense Legacy Resource Management	113,473
National Endowment for the Humanities	66,871

Chapter 18. Environment, Agriculture, and Natural Resources

Department of the Environment

A summary of the revenues to be collected by the Maryland Department of the Environment is provided in Exhibit 18.1. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 18.1
Department of the Environment Revenue Estimates
Fiscal 2003
($ in Millions)

Revenues by Agency/Program	Special Funds	Federal Funds	Total
Air and Radiation Management	$ 6.2	$ 2.6	$ 8.8
Waste Management	10.9	5.7	16.6
Water Management	27.6	49.6	77.2
Miscellaneous	3.5	4.8	8.3
Total	**$48.2**	**$62.7**	**$110.9**

Revenues by Source	Special Funds	Federal Funds	Total
Maryland Clean Air Fund	$ 5.0		$ 5.0
State Radiation Control Fund	1.2		1.2
Air Pollution Control Program		$ 2.6	2.6
Community Right-to-Know Fund	0.8		0.8
State Hazardous Substance Control Fund	1.0		1.0
Hazardous Substance Response Trust Fund		1.4	1.4
Oil Disaster Containment, Cleanup and Contingency Fund	2.8		2.8
Oil Containment Site Environmental Cleanup Fund	2.4		2.4
Leaking Underground Storage Tank Trust Fund and State Program		1.9	1.9
Hazardous Waste Management State Program Support Fund		1.3	1.3
Used Tire Clean Up and Recycling Fund	2.1		2.1
Lead Poisoning Prevention Fund	1.8		1.8

Exhibit 18.1 (continued)

Revenues by Source	Special Funds	Federal Funds	Total
Childhood Lead Poisoning Prevention		0.7	0.7
TSCA – State Lead		0.4	0.4
Maryland Clean Water Fund	1.1		1.1
Maryland Water Quality Revolving Loan Fund[1]	22.0	32.0	54.0
National Pollutant Discharge Elimination System Grants		1.0	1.0
Water Pollution Control		2.0	2.0
Drinking Water State Revolving Loan Fund[1]	2.0	9.0	11.0
Public Water System Supervision		1.4	1.4
Nontidal Wetlands Compensation Fund	0.5		0.5
Wetlands Compensation Fund	0.5		0.5
EPA – Wetlands		0.7	0.7
Bituminous Coal Open-Pit Mining Reclamation Fund	0.7		0.7
Deep Mining Fund	0.4		0.4
Surface Mine Land Reclamation Fund	0.2		0.2
Acid Mine Drainage Fund	0.2		0.2
Abandoned Mine Reclamation Fund		3.0	3.0
Surface Coal Mining		0.5	0.5
Miscellaneous	3.5	4.8	8.3
Total	**$48.2**	**$62.7**	**$110.9**

[1] Federal funds for the revolving loan fund are federal capitalization grants that flow through a trustee and are then appropriated and expended as special funds based on anticipated loan activity.

Source: *Fiscal 2003 State Budget Books*; Department of the Environment; Department of Legislative Services

Air and Radiation Management

Approximately $6.2 million in special funds are expected to be generated for the Air and Radiation Management Administration in fiscal 2003; the administration will receive an additional $2.6 million in federal funds for air pollution control activities.

Approximately $5.0 million of the special funds should be credited to the Maryland Clean Air Fund from permit fees, penalties, and asbestos license and training approval fees. The fees generally support the State's effort to monitor and regulate the level of emissions from point source polluters and to comply with regulatory requirements under the federal Clean Air Act.

Special funds of $1.2 million should be credited to the State Radiation Control Fund from license fees, registration fees, radiation machine certification fees, penalties,

and other funds. The fund is used for activities related to identifying, monitoring, and controlling sources of radiation, including radiation machines, and for program development of these activities.

Federal funds of $2.6 million will be received for Air Pollution Control Program support. Funds are used to prevent or control air pollution and to implement national primary and secondary air quality standards.

Sections of the Maryland Annotated Code

Environment Article, Sections 2-107 and 8-306

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II
Business Regulation in Maryland, Volume VIII

Waste Management

The Waste Management Administration is expected to receive $10.9 million in special funds and $5.7 million in federal funds in fiscal 2003. These funds will support activities related to hazardous materials and hazardous substances, used tire recycling, and lead poisoning prevention.

Hazardous Materials and Hazardous Substances

Special fund revenues for hazardous materials and hazardous substances are projected to be $7.0 million in fiscal 2003; federal fund revenues are estimated to be $4.6 million.

Special fund revenues of $788,248 will be collected in the form of annual fees from owners and operators of facilities that manufacture, store, and use hazardous and toxic chemicals. These fees will be credited to the Community Right-to-Know Fund and used to provide grants to local emergency planning committees; to collect, manage, and analyze data submitted by facilities; and to plan and train for chemical emergencies.

Special fund revenues of $1.0 million are collected from permit and license fees for trucks and drivers engaged in the transportation or storage of hazardous materials. Funds are credited to the State Hazardous Substance Control Fund and used to monitor and enforce the State's hazardous waste laws and regulations.

Federal funds of $1.4 million will be received from the Hazardous Substance Response Trust Fund. Also known as the SUPERFUND, these funds are used to clean up hazardous waste sites that are found to pose the most imminent hazards to human health.

A surcharge on oil transported into the State should generate special fund revenues of $2.8 million for the Maryland Oil Disaster Containment, Cleanup, and Contingency Fund. The revenues are used to monitor and enforce oil control laws and regulations and to assist in oil spill cleanup and remediation. The surcharge should also generate special fund revenues of $2.4 million for the Oil Containment Site Environmental Cleanup Fund. The funds are used to reimburse underground storage tank owners or operators for costs incurred for the clean up of contaminated sites.

The Leaking Underground Storage Tank Trust Fund will disburse approximately $1.7 million in federal funds to support enforcement and clean up activities caused by petroleum releases from underground storage tanks. The State will also receive nearly $200,000 in federal funds to be used for underground storage tank compliance activities.

The State will receive $1.3 million in federal funds for the Hazardous Waste Management State Program Support Fund. These funds are used to implement the State's hazardous waste program to control the generation, transportation, treatment, storage, and disposal of hazardous wastes.

Used Tire Recycling

A $0.40 per tire fee is levied on the sale of new tires in Maryland, which will generate an estimated $2.1 million in special funds in fiscal 2003. These revenues are deposited into the State Used Tire Cleanup and Recycling Fund to support efforts to properly recycle or dispose of waste materials from automotive tires. The tire fee is scheduled to increase to $1 per tire in fiscal 2005.

Lead Poisoning Prevention Program

Special fund revenues for the Lead Poisoning Prevention Program are derived from lead accreditation fees from those involved in lead abatement activities and from annual registration fees paid by rental property owners. Fiscal 2003 revenues from these sources are projected at $1.8 million.

Federal funds of $1.1 million are received related to lead poisoning, which includes $705,433 to coordinate State and community-based childhood lead poisoning prevention programs and $372,267 for the certification of lead-based paint professionals.

Sections of the Maryland Annotated Code

Environment Article, Sections 4-411, 4-704, 6-844, 6- 1004, 7-218 through 7-221, 7-604, and 9-228

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II
Business Regulation in Maryland, Volume VIII

Water Management

In fiscal 2003 water management activities, including those related to water pollution control, water supply, wetlands and waterways, and mining, are projected to generate $27.6 million in special funds and $49.6 million in federal funds for the Water Management Administration.

Water Pollution Control

The administration should receive an estimated $23.1 million in special funds and $35.0 million in federal funds to limit water pollution and meet the requirements of the federal Clean Water Act.

Special fund revenues of $1.1 million are expected from the issuance of industrial discharge permits and corresponding fines, penalties, and court awards. The Maryland Clean Water Fund supports the monitoring, enforcement, and inspection of water pollution sources, as well as efforts to analyze the effects of water pollution.

Special funds totaling $22.0 million, net of debt service, are projected from interest and loan repayments to the Maryland Water Quality Revolving Loan Fund. This fund is used to finance local government water quality improvement projects. Eligible projects include wastewater treatment plants, failing septic systems, and nonpoint source management projects, such as urban stormwater control projects.

The Department of the Environment's largest single source of revenues is federal capitalization grants for the State revolving fund. These federal funds, expected to total $32.0 million, are used to provide loans to local governments and communities for the construction of publicly-owned wastewater treatment works.

Federal funds of $957,681 will be received in federal grants from the National Pollutant Discharge Elimination System program. These funds are used to support the State's efforts in complying with the federal Clean Water Act.

Federal funds of $2.0 million will also be received for the prevention and control of surface and ground water pollution through the Water Pollution Control – State and Interstate Program support program and other federal water pollution control programs.

Water Supply Program

The administration expects to receive an estimated $2.0 million in special funds and $10.4 million in federal funds for activities relating to the State's drinking water supply.

Special funds totaling approximately $2.0 million should be received in interest and loan repayments to the Drinking Water Revolving Loan Fund. This fund is used to finance local government drinking water improvement projects, such as treatment plants, water main distribution replacements, and consolidation of community water systems.

The largest single source of revenues for the fund are federal capitalization grants, which are expected to total $9.0 million in fiscal 2003. They are used to finance drinking water facilities and certain nonproject set-aside activities allowable under Environmental Protection Agency regulations.

The State will also receive about $1.4 million in federal funds for State public water system supervision.

Wetlands and Waterways

The special fund revenue estimates for wetlands and waterways activities total approximately $1.0 million in fiscal 2003. Federal funds relating to these activities are estimated at $672,423.

The department anticipates special funds of $505,000 from payments into the Nontidal Wetland Compensation Fund from permits issued by the department. Revenue for the fund is derived from any monetary compensation paid by an applicant instead of engaging in the creation, restoration, or enhancement of nontidal wetlands and any civil or criminal penalty imposed by a court.

Payments into the Wetlands Compensation Fund represent fees for utility crossings based on Board of Public Works requirements and civil or criminal penalties imposed by a court. Special funds of $450,250 are expected during fiscal 2003.

Federal funds of $672,423 will be received from the Environmental Protection Agency to continue multiple wetland protection activities, such as wetland delineation, aerial photography, watershed inventory, stream assessment, and water supply management.

Mining

Special funds totaling $1.5 million and federal funds totaling $3.5 million are anticipated to support the department's activities relating to mining.

The department expects to collect special funds of $1.3 million from coal and mineral license and permit fees and coal removal surcharges from coal mining operators. Three separate special funds exist to support land reclamation and associated costs resulting from the removal of coal, as follows:

	Amount
• Bituminous Coal Open Pit Mining Reclamation Fund	$653,071
• Deep Mining Fund	423,423
• Surface Mine Land Reclamation Fund	233,607

For each ton of coal removed by strip mining, open pit mining, or deep mining, a surcharge of 15 cents is levied. Nine cents is credited to the applicable special fund and 6 cents is deposited into the Bond Supplemental Reserve until the fund reaches $300,000. The 6 cents is then distributed to the county from which the coal was removed.

Strip miners and open pit miners are also assessed a 2-cent bond supplement reserve surcharge on each ton of coal removed. This is subject to temporary termination when the balance of the bond supplement reserve exceeds $300,000 for any month; it resumes when the balance falls below $200,000.

The department should also receive an estimated $175,000 in special fund revenues in fiscal 2003 that will be credited to the Acid Mine Drainage Abatement and Treatment Fund. This fund is used to abate and treat acid mine drainage in accordance with the federal Surface Mining Control and Reclamation Act.

Federal funds of $3.5 million further support land and mine reclamation efforts and enforcement of mining restrictions. Specifically, anticipated fiscal 2003 federal funds include:

	Amount
• Abandoned Mine Reclamation Program	$3,004,693
• Regulation of Surface Coal Mining	526,376

Sections of the Maryland Annotated Code

Environment Article, Sections 5-909, 9-320, 9-1605, 9-1605.1, 15-509, 15-515 through 15-517, 15-604, 15-704, 15-805, 15-1103, and 16-205

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II
Maryland Local Government: Revenues and State Aid, Volume VII
Business Regulation in Maryland, Volume VIII

Miscellaneous

The Department of the Environment also receives revenues from various miscellaneous sources. These sources, which are expected to generate a total of $8.3 million in fiscal 2003, are listed below.

Special Funds	Amount
Indirect Cost Recoveries	$2,113,170
Sewage Sludge Utilization Fund	1,058,476
Brownfields	300,000
Sediment Control Fund	50,000
Total	**$3,521,646**

Federal Funds	**Amount**
Indirect Cost Recoveries	$2,284,406
Coop Agreement with the Army	59,452
Construction Management	68,790
Surveys, Studies, and Special Purpose Grants	423,277
Toxic Substance Compliance Monitoring	96,864
Food and Drug Administration	120,636
Homeland Defense Assistance	149,753
Pollution Prevention	137,190
Centers for Disease Control	21,802
Reimbursement of Technical Services	675,451
Water Quality Management Planning	277,000
Brownfields	425,000
Dam Safety	80,000
Total	**$4,819,621**

Department of Agriculture

The Maryland Department of Agriculture is projected to receive revenues of $18.1 million in fiscal 2003, as presented in Exhibit 18.2. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them. The second part of the exhibit is an alternative summary of the same revenues, shown by source.

Agricultural Land Preservation

The department is expected to receive approximately $7.4 million in special funds from county matching funds and other miscellaneous sources that will be credited to the Maryland Agricultural Land Preservation Fund. This estimate does not include funds from the State's property transfer tax or the agricultural land transfer tax, which are also deposited into the fund. Funds are used by the Maryland Agricultural Land Preservation Foundation to purchase easements on agricultural land in order to preserve the land for agricultural use. See Chapter 6 – Property Taxes of this handbook for more information on the property transfer tax and the agricultural land transfer tax.

Exhibit 18.2
Department of Agriculture Revenue Estimates
Fiscal 2003
($ in Millions)

Revenues by Agency/Program	General Funds	Special Funds	Federal Funds	Total
Agricultural Land Preservation		$ 7.4		$7.4
Plant Industries and Pest Management		3.7	$1.4	5.1
Marketing, Animal Industries, and Consumer Services		3.8	0.5	4.3
Miscellaneous	$0.2	0.6	0.5	1.3
Total	**$0.2**	**$15.5**	**$2.4**	**$18.1**

Revenues by Source	General Funds	Special Funds	Federal Funds	Total
Agricultural Land Preservation – County Governments, Miscellaneous Sources		$7.4		$7.4
Local Governments (Pest Management)		1.2	$0.6	1.8
Plant Protection (License Fees)		0.2	0.2	0.4
Pesticide Regulation (License Fees)		0.5	0.5	1.0
Turf and Seed Testing, Certification, and Permit Fees		0.3		0.3
State Chemist (Registration and Licensing)		1.5	0.1	1.6
Weights and Measures (Registration and Testing Fees)		1.1		1.1
Egg Inspection, Grading, Grain Dealer's License Fees		1.3		1.3
Animal Health (Laboratory Fees)		0.5		0.5
Marketing and Agricultural Development			0.5	0.5
Maryland Agricultural Fair Board		0.9		0.9
Miscellaneous	$0.2	0.6	0.5	1.3
Total	**$0.2**	**$15.5**	**$2.4**	**$18.1**

Source: *Fiscal 2003 State Budget Books*; Maryland Department of Agriculture; Department of Legislative Services

Plant Industries and Pest Management

The department should receive a total of $3.7 million in special funds and $1.4 million in federal funds to support the department's efforts related to plant industries and pest management.

Special fund revenues of $1.2 million come from local governments for the shared costs of forest pest management and mosquito control. The department will also receive

an approximately $600,000 in federal funds in fiscal 2003 for forest pest management. These funds are used to monitor and assess insect and disease situations and to implement control methods when necessary.

Special funds of $200,102 are projected from nursery license, registration, service, and inspection fees. These fees, and approximately $200,000 in federal funds, will be used for various plant protection activities, including nursery inspection, plant quarantine, nuisance bird control, and registration of honey bee colonies.

Pesticide regulation activities are expected to generate $504,990 in special fund revenues from license and certification fees. These fees are used to license businesses that commercially apply pesticides, train and certify pesticide applicators, and enforce pesticide laws and regulations. The department will also receive approximately $500,000 in federal funds for pesticide compliance monitoring.

Turf and seed certification and testing fees should generate $320,174 in special fund revenues to conduct certification programs that ensure products meet purity, variety, germination, and labeling standards.

Special fund revenues of $1.5 million come from registration and inspection fees collected by the State Chemist. The program registers, examines, and tests products such as fertilizers, pesticides, and animal feed as part of the department's efforts to enforce Maryland laws governing quality, content, and labeling. An additional $100,000 in federal funds will augment the funding for this program.

Marketing, Animal Industries, and Consumer Services

The Marketing, Animal Industries, and Consumer Services Division expects to receive a total of $3.8 million in special funds and $500,000 in federal funds in fiscal 2003.

Special fund revenues of $1.1 million are projected from fees charged by the Weights and Measures Section, which ensures the accuracy, equity, and the prevention of fraud in the sale and measurement of commodities and similar transactions.

The inspection and grading of eggs, poultry, grain, fruits, and vegetables for quality and size should generate special fund revenues of $1.3 million. These fees will be used to inspect and grade products and license grain dealers.

The department will receive approximately $500,000 in federal funds from the Supplemental Nutrition Program for Women, Infants, and Children, the Child and Adult

Care Food Program, and other programs related to marketing and agricultural development.

Laboratory fees from testing animal health samples will generate an estimated $535,272 in special fund revenues in fiscal 2003. These fees will be used for the department's Animal Health Program, which oversees animal disease control programs, operates diagnostic laboratories, and controls the importation of animals.

The department will receive $940,564 for the Maryland Agricultural Fair Board from the horse racing special fund maintained by the State Racing Commission. The Maryland Agricultural Fair Board promotes and provides assistance to agricultural fairs, exhibits, and youth organizations.

Sections of the Maryland Annotated Code

Agriculture Article, Sections 2-505, 3-302, 3-303, 4-110, 4-118, 4-119, 4-207, 4-311.5, 5-203, 5-207, 5-302, 5-309, 5-404, 5-804, 6-103, 6-204, 6-208, 9-101 through 9-110, 9-201 through 9-307, 9-403, 10-303, 10-702, 10-902, and 13-202 through 13-205

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II
Business Regulation in Maryland, Volume VIII

Miscellaneous

The Department of Agriculture also generates revenues from various miscellaneous sources totaling $1.3 million in fiscal 2003, including $600,000 in special funds, $200,000 in general funds, and $500,000 in federal funds.

Department of Natural Resources

The fiscal 2003 revenue estimates for the Department of Natural Resources are presented in Exhibit 18.3. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 18.3
Department of Natural Resources Revenue Estimates
Fiscal 2003
($ in Millions)

Revenues by Agency/Program	Special Funds	Federal Funds	Total
Environmental Surcharge	$ 8.2		$ 8.2
Fishing and Coastal Zone Management	9.5	$ 5.7	15.2
Forest Park and Wildlife	18.0	2.4	20.4
Boating and Water Safety	5.2	1.9	7.1
Capital Programs	2.9	2.0	4.9
Miscellaneous	2.60	13.2	15.8
Total	**$46.4**	**$25.2**	**$71.6**

Revenues by Source	Special Funds	Federal Funds	Total
Electric Company Surcharge	$8.2		$8.2
Fishing and Coastal Fees	9.5		9.5
Coastal Zone Management		$3.8	3.8
Sport Fish Restoration		1.9	1.9
Park User Fees	12.0		12.0
Concession Sales	1.6		1.6
Hunting Fees	4.0		4.0
Donations (Income Tax Returns)	0.4		0.4
Wildlife Restoration		1.9	1.9
Community Service Grants		0.5	0.5
Waterway Improvement Fund	2.0		2.0
Boat Registration and Fees	2.5		2.5
Slip Rentals	0.7		0.7
Boat Safety		1.9	1.9
Loan Repayment (Shore Erosion Control)	1.2		1.2
Beach Replenishment	1.0		1.0
Fair Hill Natural Resources Management Area	0.7		0.7
Recreational Project Development		2.0	2.0
Miscellaneous	2.6	13.2	15.8
Total	**$46.4**	**$25.2**	**$71.6**

Source: *Fiscal 2003 State Budget Books*; Department of Natural Resources; Department of Legislative Services

Environmental Surcharge

Electric companies are assessed a surcharge on each kilowatt hour of electricity generated in the State. This surcharge is projected to generate special funds of $8.2 million in fiscal 2003. The rate is set annually by the Public Service Commission at an amount estimated to yield sufficient revenues to cover the expenses of the Department of Natural Resources' Power Plant and Environmental Review Division and the Chesapeake Bay Research and Monitoring Division. However, for each customer the rate may not exceed the lesser of 0.15 mil per kilowatt hour or a rate resulting in $1,000 per month. These monies are used for a number of activities, including the implementation of a continuing research program for electric power plant site evaluation and related environmental and land use considerations.

The electric companies collect the surcharge by either: (1) incorporating it into their rates; or (2) separately stating the amount on customer's invoices. Electric companies receive a credit of 0.75 percent of the total surcharge collected. The revenues are collected from electric companies by the Comptroller and are credited to the Environmental Trust Fund administered by the Secretary of Natural Resources.

Sections of the Maryland Annotated Code

Natural Resources Article, Section 3-302; and Public Utility Companies Article, Section 7-203

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II
Business Regulation in Maryland, Volume VIII

Fishing and Coastal Zone Management

The special fund revenue estimates for fishing and coastal zone management total $9.5 million in fiscal 2003.

The department collects various license, stamp, permit, service, and application fees for the privilege of fishing in the State. Fees of approximately $7.0 million for commercial fishing, including clamming and oystering, are expected for the Fisheries Research and Development Fund, which is used to replenish fisheries resources, conduct related research, and provide matching funds for related federal grants.

Special funds of $2.5 million are projected from fees for other types of fishing and will be credited to the State Fisheries Management and Protection Fund. These monies are used for the scientific investigation, protection, propagation, and management of nontidal finfish.

Additionally, federal funds of $5.7 million for the department's Tidewater Administration are anticipated.

Sections of the Maryland Annotated Code

Natural Resources Article, Sections 4-208 and 4-209

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II
Business Regulation in Maryland, Volume VIII

Forest, Park, and Wildlife

The special fund revenue estimates for forest, park, and wildlife activities total $18.0 million in fiscal 2003 and federal fund estimates total $2.4 million.

Special funds of $12.0 million are projected from fees for the use of the State's forest reserves, parks, scenic reserves, parkways, historic monuments, and recreation areas. These revenues are credited to the Forest or Park Reserve Fund, a portion of which (15 or 25 percent, depending upon the percentage of total county land denoted as forest or park land) is returned to the county in which the reserve or park is located. The remainder of the special funds is used to support park operations.

Special funds of approximately $1.6 million should be generated from concession sales at State forests and parks. These fees are credited to the Forest and Park Concession Account, a portion of which (15 or 25 percent, depending upon the percentage of total county land denoted as forest or park land) is returned to the county in which the forest or park is located. The remainder is used for the maintenance and operation of concession operations.

Approximately $4.0 million in fees and fines from hunting activities are expected for the State Wildlife Management and Protection Fund. These special funds are used for the scientific investigation, protection, propagation, and management of wildlife.

Beginning with the 1988 income tax returns, taxpayers have been able to make donations directly to the Chesapeake Bay and Endangered Species Fund. The income tax "check off" system is expected to generate approximately $400,000 in special funds. Up to 5 percent of the proceeds may be used for promotional expenses, with the remainder equally split between the Chesapeake Bay Trust and programs designed to conserve nongame, threatened, and endangered species.

Federal funds of $1.9 million will be received for wildlife restoration and endangered species programs within the Natural Resources Police and the Forest, Park, and Wildlife Service.

Approximately $500,000 in federal funds will be received from the National Community Service grants program to assist the Maryland Conservation Corps program, which is an environmental jobs training program for young Maryland residents from economically disadvantaged and learning disabled backgrounds.

Sections of the Maryland Annotated Code

Natural Resources Article, Title 1, Subtitle 7 and Sections 5-212, 5-212.1, 5-218, 5-1302, and 10-209; and Tax – General Article, Section 2-110

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II
Business Regulation in Maryland, Volume VIII

Boating and Water Safety

Special fund revenues totaling approximately $5.2 million are anticipated from boating and water safety activities in fiscal 2003.

Special fund revenues of approximately $2.0 million should be generated from the gas tax and boat titling penalties and interest payments. These funds will be credited to the Waterway Improvement Fund. See Chapter 9 – Miscellaneous Taxes, Excise Tax on Vessels, of this handbook for more information on the Waterway Improvement Fund.

Special fund revenues of $2.5 million are expected from enforcement and administration of the laws governing the operation of vessels and will be credited to the State Boat Act Account. This special fund includes revenues from the $15 security interest filing fee for vessels which is divided as follows: $4 to the State Boat Act

Account, $6 to the general fund, and $5 to local governments. The majority of State Boat Act Account funds are used to support marine police activities.

The department operates two marinas and collects special fund revenues from slip rentals and other services. Revenues from the Fort Washington Marina Account and the Somers Cove Marina Improvement Fund, estimated at approximately $700,000 for fiscal 2003, are used to cover the operating expenses of these facilities.

The Natural Resources Marine Police will receive federal funds of $1.9 million in fiscal 2003 for education and enforcement of boating safety programs.

Sections of the Maryland Annotated Code

Natural Resources Article, Section 5-908.1 and Title 8, Subtitle 7

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II
Business Regulation in Maryland, Volume VIII

Capital Programs

Capital programs are projected to generate special funds totaling $2.9 million in fiscal 2003.

Approximately $1.2 million of these special funds represent payments on loans previously made for shore erosion control structures. These loan repayments are credited to the Shore Erosion Control Construction Loan Fund and are supplemented by general fund appropriations. Individual citizens, counties, and municipalities are eligible for the interest-free loans.

An additional $1.0 million in special funds from Worcester County and Ocean City are used to support beach replenishment efforts in and around Ocean City.

The Department of Natural Resources receives about $700,000 from the operation of the Fair Hill Natural Resources Management Area in Cecil County. Steeplechase races, the county fair, and horse training are conducted at the site. Special fund revenues are generated primarily from facility rentals and are deposited into the Fair Hill Improvement Fund. The funds are used for further capital improvements.

The department also will receive federal funds of $2.0 million for the development of recreational projects at State parks. A portion of the funds, as required by the federal grant program, is distributed to local governments for local park development.

Sections of the Maryland Annotated Code

Natural Resources Article, Sections 5-908, 8-1005, and 8-1103

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II
Business Regulation in Maryland, Volume VIII

Miscellaneous

The Department of Natural Resources also receives revenues from various miscellaneous sources. These sources, which are estimated to generate a total of $15.8 million in fiscal 2003, are listed below.

Special Funds	Amount
Deep Creek Lake Recreation, Maintenance, and Management	$ 565,000
Deer Stamp (Black Powder and Bow Hunting)	275,000
Maryland Geological Survey Account	481,354
Migratory Wild Waterfowl Stamps	275,000
Natural Resources Property Maintenance	325,000
Offroad Vehicle Account	10,000
Reforestation Fund	75,001
Upland Wildlife Habitat Fund	125,002
Wildlife Habitat Incentives	170,000
Woodlands Incentive Fund	100,000
Local Land Trust	177,782
Total	**$2,579,139**

Federal Funds	**Amount**
Coastal Zone Management Estuarine Reserve Grants	$ 350,000
Interjurisdictional Fish Act of 1986	57,815
Cooperative Forestry Assistance	1,529,661
Nonpoint Source Implementation Grant	3,574,300
Chesapeake Bay Programs	5,566,565
Chesapeake Bay Studies	378,450
Clean Vessel Act	500,000
Atlantic Coastal Fisheries Coop	189,000
Water Pollution Control	4,000
Various Federal Grants	184,000
National Park Service	25,000
Wildlife Conservation and Restoration Program	643,855
Wetlands Protection	60,000
Surveys, Studies, Investigations, and Special Purpose	116,875
Total	**$13,179,521**

Chapter 19. Public Safety

Department of Public Safety and Correctional Services

The revenue estimates for the Department of Public Safety and Correctional Services in fiscal 2003 are summarized in Exhibit 19.1. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is an alternative summary of the same revenues, shown by source.

911 Emergency Telephone System

The 911 Emergency Telephone System assessment is projected to generate $32.1 million in special fund revenues to cover the costs of administration, maintenance, and enhancement of the 911 system. The assessment, which is paid by local telephone service subscribers, consists of a State fee of 10 cents per month and an optional additional fee of up to 50 cents imposed by a county or Baltimore City. Revenues shown in this section represent State collections only.

The fees are collected by the telephone companies and remitted to the State for deposit to the 911 Trust Fund. The phone companies retain a 0.75 percent collection fee from the State assessment only. Revenues cover the expenses of the Emergency Number Systems Board with the balance retained in the 911 Trust Fund to reimburse the subdivisions for the costs of 911 system enhancements.

Sections of the Maryland Annotated Code

Article 41, Sections 18-101 through 18-108

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II
Maryland Local Government: Revenues and State Aid, Volume VII

Exhibit 19.1
Public Safety and Correctional Services Revenue Estimates
Fiscal 2003
($ in Millions)

Revenues by Agency/Program	General Funds	Special Funds	Federal Funds	Total
911 Emergency Telephone System		$32.1		$ 32.1
Office of the Secretary		3.3	$0.2	3.5
Division of Correction and Patuxent Institution		57.5		57.5
Division of Pretrial and Detention Services		2.3	4.2	6.5
Parole and Probation	$6.8	0.1	0.1	7.0
Criminal Injuries Compensation Board		4.1	1.6	5.7
Total	**$6.8**	**$99.4**	**$6.1**	**$112.3**

Revenues by Source	General Funds	Special Funds	Federal Funds	Total
911 Emergency Telephone System		$32.1		$32.1
Data Processing Services		1.0		1.0
Criminal Record Checks		2.3		2.3
National Criminal History Improvement Program			$0.2	0.2
State Use Industries		39.0		39.0
Inmate Welfare Fund (from DOC and PI Facilities)		17.0		17.0
Work Release Earnings		1.4		1.4
Home Detention Monitoring		0.2		0.2
Inmate Welfare Fund (from DPDS Facilities)		1.8		1.8
Inmate Work Crews		0.4		0.4
Baltimore City		0.1		0.1
Federal Inmates			4.2	4.2
Parole and Probation Supervision Fees	$6.8			6.8
Drug Control and System Improvement			0.1	0.1
Criminal Injuries Compensation Fund		4.1		4.1
Federal Crime Victim Compensation			1.6	1.6
Total	**$6.8**	**$99.4**	**$6.1**	**$112.3**

Note: Detail may not add to total due to rounding.
Source: *Fiscal 2003 State Budget Books*; Department of Public Safety and Correctional Services; Department of Legislative Services

Office of the Secretary

The Information Technology and Communications Division of the Office of the Secretary is responsible for maintaining criminal record data systems. State and non-state agencies that request information from these systems, such as criminal record checks, are assessed a fee. In fiscal 2003 these fees are estimated to generate special funds of $3.3 million.

Additionally, the office is expected to receive approximately $230,000 in federal funds for improvements in computer systems in support of the Criminal Information System.

Division of Correction and Patuxent Institution

The Division of Correction and the Patuxent Institution are projected to generate a total of $57.5 million in special funds for fiscal 2003.

Special funds of $39.0 million are derived from the activities of State Use Industries, an inmate training program that produces and sells goods and services. Inmate labor is used to manufacture food and merchandise for sale or provide services to the State and other governmental or charitable organizations. The goods and services are supplied at a cost that is no more than the prevailing wage market price as determined by other State departments. The funds are used to cover the cost of administration, supervision, and materials and supplies.

Special funds of $17.0 million are derived primarily from commissary sales, vending commissions, and inmate telephone calls at Division of Correction institutions and the Patuxent Institution. These monies are credited to the Inmate Welfare Fund and are used for educational activities, inmate medical services, the inmate grievance process, athletic equipment, hygiene supplies for indigent inmates, and other activities that benefit inmates. Payments from inmates in work release and home detention programs also generate special funds of $1.4 million. The Division of Correction also expects to collect $240,000 from offenders on home detention to pay for the equipment required to monitor offenders on home detention.

Pretrial and Detention Services

The Division of Pretrial and Detention Services is expected to generate a total of $2.3 million in special funds and $4.2 million in federal funds in fiscal 2003.

Special fund revenues are estimated at $1.8 million from the Inmate Welfare Fund and $425,000 from inmate work crews. As in the Division of Correction, the Inmate Welfare Fund monies are generated from commissary sales and fund activities that benefit the inmate population. The division receives funding annually from Baltimore City for providing six inmate work crews per day to the city. These work crews primarily provide road clean up services. The fiscal 2003 revenue projections include a grant totaling $0.1 million to address substance abuse.

Federal funds of approximately $4.2 million are generated by housing federal prisoners in the Division of Correction.

Parole and Probation

General funds of $6.8 million are expected from the collection of supervision and urinalysis fees by the Division of Parole and Probation in fiscal 2003. Since many offenders receive exemptions and are not required to pay supervision and urinalysis fees, the fees collected do not cover the entire cost of the program.

The division is projected to receive federal funds totaling $127,329 in fiscal 2003 for managing the released sex offenders program. Special funds of approximately $83,000 are expected from administrative fees on collections.

Criminal Injuries Compensation Board

The fiscal 2003 budget anticipates a total of $5.7 million in special and federal funds to provide awards to victims of crime. Special funds of $4.1 million are expected from court fees and will be credited to the Criminal Injuries Compensation Fund. The State also receives federal funds for victims of crime. In fiscal 2003 the State expects $1.6 million in federal funds.

Sections of the Maryland Annotated Code

Correctional Services Article

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Department of State Police, Fire Prevention Commission, and Office of the Fire Marshal

The revenues estimated to be collected by the Department of State Police, the Fire Prevention Commission, and the Office of the Fire Marshal in fiscal 2003 are set forth in Exhibit 19.2. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 19.2
Department of State Police, Fire Prevention Commission, and Office of the Fire Marshal Revenue Estimates
Fiscal 2003
($ in Millions)

Revenues by Agency/Program	General Funds	Special Funds	Federal Funds	Total
State Police	$1.3	$9.8	$0.7	$11.8
Fire Prevention Commission and Fire Marshal	0.5		0.4	0.9
Total	**$1.8**	**$9.8**	**$1.1**	**$12.7**

Revenues by Source	General Funds	Special Funds	Federal Funds	Total
John F. Kennedy Memorial Highway		$4.2		$ 4.2
Resident Trooper		5.4		5.4
Asset Forfeiture			$0.5	0.5
Inspection/License Fees	$0.5			0.5
Federal Homeland Defense Assistance			0.4	0.4
Miscellaneous	1.3	0.2	0.2	1.7
Total	**$1.8**	**$9.8**	**$1.1**	**$12.7**

Source: *Fiscal 2003 State Budget Books*; Department of Legislative Services

Department of State Police

State Police Field Operations

The fiscal 2003 budget of the Field Operations Bureau anticipates $4.2 million in special fund revenues from the Maryland Transportation Authority for the John F. Kennedy Memorial Highway project, including indirect costs associated with the project. The John F. Kennedy Memorial Highway project is responsible for policing that toll roadway. The $4.6 million cost of the Resident Trooper Program is borne by the local jurisdictions in which the troopers serve. Indirect costs of $0.8 million are also received from local jurisdictions for this program. The Resident Trooper Program allows local counties and municipalities to receive additional State troopers. The State is reimbursed the entire direct cost of the troopers and their equipment as well as an administrative fee from the local jurisdictions in which the resident troopers serve.

State Police Drug Enforcement and Criminal Enforcement

Federal asset forfeiture law allows the State to collect a share of the assets collected on drug cases with federal involvement. The fiscal 2003 budget anticipates the availability of approximately $450,000 in federal fund revenues from this source.

Miscellaneous

The State Police also receives revenues from various miscellaneous sources. These sources, which are estimated to generate a total of $1.45 million in fiscal 2003, are listed below.

General Funds	Amount
Firearm Licensing	$ 500,000
Security Guard and Private Detective Licensing	350,000
Licensing Vehicle Inspection Stations	100,000
Processing Fingerprint Cards	115,000
Issuing Special Police Commission	30,000
Administering Inspection Mechanic Exam	20,000
Motor Vehicle Accident Reports	135,000
Total	**$1,250,000**

Special Funds	Amount
CJIS Criminal Background Record Check Fees	$170,000
Employee Food Sales	34,616
Total	**$204,616**

Fire Prevention Commission and Office of the Fire Marshal

Federal funds for the Office of the Fire Marshal for fiscal 2003 consist of $387,781 in Federal Homeland Defense Assistance. Fees for fire safety inspections, plan reviews, and licenses for fiscal 2003 are projected to total $0.5 million in general funds.

Sections of the Maryland Annotated Code

Article 88B (State Police); and Article 38A (Fire Prevention Commission and Fire Marshal)

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Chapter 20. Other Agencies

Financial and Revenue Administration

The revenues expected to be collected by the financial and revenue administration agencies in fiscal 2003 are shown in Exhibit 20.1. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 20.1
Financial and Revenue Administration Revenue Estimates
Fiscal 2003
($ in Millions)

Revenues by Agency/Program	General Funds	Special Funds	Total
Treasurer	$ 57.5	$59.5	$117.0
Comptroller	58.0	5.0	63.0
Assessments and Taxation		2.4	2.4
Total	**$115.5**	**$66.9**	**$182.4**

Revenues by Source	General Funds	Special Funds	Total
Interest Earned on Funds	$ 57.5	$59.5	$117.0
Sale of Abandoned Property	57.0	2.0	59.0
Cigarette Licensing Fees	0.4	0.1	0.5
Alcoholic Beverage License Fees	0.6		0.6
Delinquent Income Tax		1.4	1.4
Admissions and Amusement Tax		1.5	1.5
Expedited Service Fees		2.4	2.4
Total	**$115.5**	**$66.9**	**$182.4**

Source: *Fiscal Digest of the State of Maryland for the Fiscal Year 2003*, Department of Budget and Management; *Fiscal 2003 State Budget Books*; State Treasurer's Office; Comptroller's Office

Office of the State Treasurer

The investment of the State's funds is the responsibility of the State Treasurer. Interest earnings are projected to be $117.0 million in fiscal 2003, with an estimated $57.5 million accruing to the general fund and the remainder accruing to special funds.

The main emphasis of the Treasurer's investment program is the investment of cash that is temporarily available between the time it is collected and disbursed. The program also includes longer term investments associated with the maturity of certain bonds, the purchase of 20-year development easements on agricultural land, and the payment of lottery prizes over 19-year periods.

On June 30, 2002, the State's portfolio totaled $4.0 billion. Interest earnings during fiscal 2002 were $147.5 million, of which $81.5 million accrued to the general fund. The earnings on the portfolio averaged 2.92 percent for the year.

Sections of the Maryland Annotated Code

State Finance and Procurement Article, Sections 6-222 through 6-226

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Office of the Comptroller

The Unclaimed Property Section of the Comptroller's Office is charged with administering the abandoned property laws of the State. This includes collecting abandoned property, selling the property, and distributing the revenues to the State's general fund. Total general fund revenues in fiscal 2003 from the sale of abandoned property are estimated at $57.0 million. Approximately $2.0 million in special fund revenues will be used to administer this program.

In addition to the many taxes collected by the Comptroller described in the first part of this handbook, the Comptroller's Office also collects certain license and permit fees. General fund revenues of $600,000 are expected from alcoholic beverages licenses and permits. Cigarette sales licenses should generate $370,000 in general funds and $93,000 in special funds.

Alcoholic beverages licenses and permits are comprised of two major types: manufacturer's and wholesaler's. State licenses are also issued for trains, boats, and airplanes that, by their nature, travel around the State. Permits are issued by the State primarily for the storage and transportation of alcoholic beverages, while licenses for retail sales of alcohol are issued by the counties and Baltimore City and generate local, not State, revenues.

Cigarette sales licenses are issued in four categories. Exhibit 20.2 shows each type and the required fees as established by law.

Exhibit 20.2
Business Cigarette License Fees
Fiscal 2003

	Initial Fee	Annual Renewal Fee
Manufacturer	$225	$ 55
Retailer	230	60
Storage Warehouse	25	25
Subwholesaler	700	530
Vending Machine Operator	700	530
Wholesaler	950	780

Source: Business Regulation Article, Section 16-204

The Compliance Division anticipates collecting $1.4 million in special funds from delinquent income taxes owed to the State. While the bulk of delinquent tax collections are remitted to the general fund, fees charged by outside collection agencies are deducted and accounted for separately as special fund revenues.

Special funds of $1.5 million will be received by the Comptroller for the collection of admissions and amusement taxes for local governments. These taxes are local taxes, but are collected by the State for administrative efficiency.

Sections of the Maryland Annotated Code

Commercial Law Article, Section 17-317 (unclaimed property); Article 2B (alcoholic beverages licenses); Business Regulation Article, Sections 16-201 and 16-204 (cigarette business licenses); and Tax – General Article, Title 4 (admissions and amusement tax)

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II
Maryland Local Government: Revenues and State Aid, Volume VII

Department of Assessments and Taxation

In fiscal 2003 the Department of Assessments and Taxation is expected to collect $2.4 million in special fund revenues from fees charged for processing documents on an expedited basis.

Sections of the Maryland Annotated Code

Corporations and Associations Article, Sections 1-201 through 1-204; and Tax – Property Article, Section 2-220

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II
Maryland Local Government: Revenues and State Aid, Volume VII
Business Regulation in Maryland, Volume VIII

Judicial and Legislative

The revenues projected for collection by judicial and legislative agencies in fiscal 2003 are set forth in Exhibit 20.3. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 20.3
Judicial and Legislative Agencies Revenue Estimates
Fiscal 2003
($ in Millions)

Revenues by Agency/Program	General Funds	Special Funds	Federal Funds	Total
District Court	$ 72.1	$ 4.8		$ 76.9
Clerks of the Circuit Court	38.6	4.0	$1.9	44.5
Administrative Office of the Courts		10.3		10.3
Other Judiciary	1.0			1.0
Registers of Wills	11.0			11.0
Attorney General	18.2	0.3	1.1	19.6
Workers' Compensation Commission		20.7		20.7
Public Service Commission		12.9		12.9
Subsequent Injury Fund		1.7		1.7
Uninsured Employers' Fund		0.9		0.9
Public Defender	1.8	0.2		2.0
General Assembly	0.2			0.2
Total	**$142.9**	**$55.8**	**$3.0**	**$201.7**

Revenues by Source	General Funds	Special Funds	Federal Funds	Total
District Court Fines, Costs, & Funds	$ 72.1	$ 4.8		$76.9
Clerks of Court Fees & Commissions	38.6	1.5		40.1
Land Record Improvement Fund		5.8		5.8
Maryland Legal Services Surcharge		7.0		7.0
Miscellaneous Court Fees	1.0			1.0
Clerks of Court Child Support Enforcement			$1.9	1.9
Public Defender Administrative & Court Ordered Fees	1.8	0.2		2.0
Register of Wills – Excess Fees	11.0			11.0
Registration of Securities Dealers	18.2			18.2
Health Club Fees		0.3		0.3
Medicaid Fraud Control			1.1	1.1
Workers' Compensation Insurers & Self Insured		20.7		20.7
Subsequent Injury Fund Assessment		1.7		1.7
Uninsured Employers' Fund Assessment		0.9		0.9
General Assembly	0.2			0.2
Public Service Commission Fees		12.9		12.9
Total	**$142.9**	**$55.8**	**$3.0**	**$201.7**

Source: *Fiscal Digest of the State of Maryland for the Fiscal Year 2003*, Department of Budget and Management; *Fiscal 2003 State Budget Books*

District Court

Projected fiscal 2003 general fund revenues of $72.1 million collected by the District Court system consist of fines, fees, and approximately 75 percent of court costs. Court fees in traffic and criminal cases are $20 and vary from $5 to $25 in civil cases. Traffic fines and fees account for the majority of District Court revenues.

Special funds of $4.8 million include $500,000 for the Criminal Injuries Compensation Fund and a total of $123,000 for the Victim and Witness Protection and Relocation Fund, the Victims of Crime Fund, the Victim and Witness Protection and Relocation Fund, and the Maryland Legal Services Corporation fund deducted from traffic and criminal court fees. The Law Enforcement and Correctional Training Fund gets one-fourth (currently $5) of all court costs in traffic and criminal cases collected by the District Court. The fiscal 2003 estimate for revenues going into this fund is $4.2 million.

A surcharge of $2 is imposed in civil cases for the Maryland Legal Services Corporation. The Administrative Office of the Courts expects to receive a total of $7.0 million for the corporation from surcharges imposed by the District Court and the circuit courts.

Sections of the Maryland Annotated Code

Courts and Judicial Proceedings Article, Section 7-301; Transportation Article, Section 12-118; and Article 41, Section 4-1301

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Clerks of the Circuit Court

The 24 clerks of the circuit courts expect to collect $40.1 million in fees, commissions, and other revenues in fiscal 2003. Of this amount, $1.5 million are special fund revenues distributed to the Criminal Injuries Compensation Fund, the Victims of Crime Fund, and the Victim and Witness Protection and Relocation Fund, and $38.6 million are general fund revenues. These revenues represent fees for various licenses, land record recordation taxes, and security liens.

The Administrative Office of the Courts expects to receive $5.8 million in fiscal 2003 from a $5 surcharge placed on the filing of real property and financing statement records

collected by the clerks of the circuit court. The surcharge goes into the Land Record Improvement Fund used to repair and modernize office equipment in each land record office of the circuit courts. Currently, the improvement fund supports implementation of the electronic land records on-line image system and the digital image reference system for subdivision and condominium plats. The surcharge terminates on June 30, 2006.

A surcharge of $10 is imposed in civil cases for the Maryland Legal Services Corporation. The Administrative Office of the Courts expects to receive a total of $7.0 million for the corporation from surcharges imposed by the District Court and the circuit courts.

Federal funds of $1.9 million are anticipated by clerks in several jurisdictions for the operation of child support enforcement collection and disbursement units.

The State Court Administrator sets the fee schedule for all fees not set by statute with the approval of the Board of Public Works.

Sections of the Maryland Annotated Code

Courts and Judicial Proceedings Article, Title 7, Subtitle 2 (circuit courts) and Title 13 (court supporting agencies), Subtitle 6 (circuit court real property records)

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Registers of Wills

In fiscal 2003 the Registers of Wills expect to remit $11.0 million in general funds to the State representing the excess of fees and commissions over expenses. Revenues are derived from probate fees and the registers' 25 percent commission for collection of the inheritance tax. The Registers of Wills provide support to the orphans' court of each county and Baltimore City in administering Maryland probate laws.

The registers collect probate fees to cover the cost of docketing and processing estates. Probate fees are determined according to the value of the estate, and vary from $50 to over $2,500. The Registers of Wills also retain as a commission 25 percent of all inheritance taxes to cover operating expenses. If these revenues are insufficient to cover expenses, a deficiency amount is paid from the general fund. Of the registers' operating expenses, only

the deficiency appropriation is reported in the annual State budget. In fiscal 2003 the appropriation to supplement those Registers of Wills offices with a deficiency is $75,000.

Sections of the Maryland Annotated Code

Constitution of Maryland, Article III, Section 45; and Estates and Trusts Article, Title 2, Subtitle 2

Legislative Handbook Series Cross-Reference

Chapter 8 – Death Taxes of this handbook
Government Services in Maryland, Volume II

Attorney General

The Division of Securities within the Office of the Attorney General charges fees for the registration of securities offerings. The division also collects license fees from broker dealers, stockbrokers, investment advisors, and financial planners. These registration and license fees are projected to account for approximately $18.2 million in general fund collections in fiscal 2003.

The Division of Consumer Protection expects to receive $334,334 in special fund revenue in fiscal 2003 from health club registration fees. Federal funds of $1.1 million represent monies for the Medicaid Fraud Control Unit to support its investigation and prosecution of Medicaid provider fraud.

Sections of the Maryland Annotated Code

Corporations and Associations Article, Sections 11-407 and 11-506

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II
Business Regulation in Maryland, Volume VIII

Workers' Compensation Commission

Special fund revenues of $20.5 million in fiscal 2003 will be derived from assessments paid by insurers and self-insured employers. The assessment, which is equal to a percentage of employee payrolls, is set at a level to generate sufficient revenues to cover all

the expenses of the Workers' Compensation Commission. Hence, the "assessment percentage" is determined by dividing the expenses of the Workers' Compensation Commission (including the administrative expenses of the Uninsured Employers' Fund and the Occupational Safety Program of the Division of Labor and Industry) by the total insured payroll of all insurance carriers.

An additional $195,000 of special fund revenues will be collected for fiscal services provided to the Subsequent Injury Fund and the Uninsured Employers' Fund by the Workers' Compensation Commission.

Sections of the Maryland Annotated Code

Labor and Employment Article, Sections 10-101 through 10-141

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II
Business Regulation in Maryland, Volume VIII

Public Service Commission

Public service companies subject to the jurisdiction of the Public Service Commission are annually assessed fees to cover all operating costs of the commission and the Office of People's Counsel. Each public service company pays a share of the operating costs based on the ratio of its gross revenues from intrastate utility operations to total gross revenues from the intrastate utility operations of all companies in the State. The total amount charged to any one company may not exceed 0.22 percent of its gross operating revenues from intrastate utility operations. The special fund Public Service Commission assessment is projected to total $12.9 million in fiscal 2003.

Sections of the Maryland Annotated Code

Public Utility Companies Article, Title 2

Legislative Handbook Series Cross-reference

See the discussion of the public service company franchise tax in Chapter 5 – Business Taxes of this handbook.

Government Services in Maryland, Volume II
Business Regulation in Maryland, Volume VIII

Subsequent Injury Fund

The Subsequent Injury Fund receives special funds from a legislatively mandated 6.5 percent assessment on: (1) awards against an employer or insurer for permanent injury or death; and (2) amounts payable by employers or insurers under settlement agreements approved by the Workers' Compensation Commission. The special funds are credited to the Subsequent Injury Fund to provide compensation to injured workers whose disability is substantially increased by the combined effects of a current injury and any previous condition. The fiscal 2003 revenue estimate is $1.7 million.

Sections of the Maryland Annotated Code

Labor and Employment Article, Section 9-806 and Title 10, Subtitle 2

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Uninsured Employers' Fund

The Uninsured Employers' Fund receives special funds from legislatively mandated assessments on workers' compensation awards, including primarily a 1 percent assessment on: (1) awards against an employer or insurer for permanent injury or death; and (2) amounts payable by an employer or insurer under a settlement agreement approved by the Workers' Compensation Commission. The special funds are used to provide compensation benefits and medical expenses on claims against uninsured employers. The fiscal 2003 revenue estimate is $933,648.

Sections of the Maryland Annotated Code

Labor and Employment Article, Sections 9-1005 through 9-1008 and Title 10, Subtitle 3

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Office of the Public Defender

The Office of the Public Defender collects administrative court fees and court ordered fees. The administrative court fee is $50 for adult defendants and $25 for juvenile defendants. This fee can either be paid voluntarily or through an income tax review program. Court ordered fees are imposed by judges at the end of a case and typically amount to $50 or $100 for each defendant. Revenues estimated at $1.8 million will be credited to the general fund in fiscal 2003.

Special funds of $200,000 are expected from the following sources: (1) a grant from the Anne Arundel County Department of Social Services to prevent and reduce juvenile court involvement; (2) an Anne Arundel County grant to implement a program to reduce and manage pretrial inmate population at the Anne Arundel County Detention Center; and (3) a Baltimore County grant to reduce inmate pretrial population at the Baltimore County Detention Center.

Sections of the Maryland Annotated Code

Generally, Article 27A

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

General Assembly

The General Assembly and the Department of Legislative Services, which provides support services to the legislative branch, is projected to receive general funds of $227,770 in fiscal 2003. Revenues are primarily generated from the sale of legislative documents, the sale of computer access to the online bill status system, and expense reimbursements for certain audits performed by the Legislative Auditor.

Sections of the Maryland Annotated Code

State Government Article, Section 2-1412

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Department of Labor, Licensing, and Regulation

The fiscal 2003 revenue estimates for the Department of Labor, Licensing, and Regulation are detailed in Exhibit 20.4. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 20.4
Department of Labor, Licensing, and Regulation Revenue Estimates
Fiscal 2003
($ in Millions)

Revenues by Agency/Program	General Funds	Special Funds	Federal Funds	Total
Occupational & Professional Licensing	$ 5.9	$ 1.1		$ 7.0
Labor & Industry	1.5		$ 4.4	5.9
Financial Regulation	6.0			6.0
Horse Racing	0.3	3.4		3.7
Employment & Training		4.0	147.5	151.5
Miscellaneous	0.1	1.6		1.7
Total	**$13.8**	**$10.1**	**$151.9**	**$175.8**

Revenues by Source	General Funds	Special Funds	Federal Funds	Total
Occupational & Professional Licensing	$ 5.9	$ 1.1		$ 7.0
Licensing & Penalties	1.5			1.5
Workplace Inspection/Safety Training			$ 4.4	4.4
Licensing & Examination Fees of Financial Institutions	6.0			6.0
Licensing & Regulation (Horse Racing)	0.3			0.3
Miscellaneous Racing Activities		3.4		3.4
Unemployment Insurance Program		4.0	59.6	63.6
Maryland Job Service			18.3	18.3
Employment & Training Assistance			68.3	68.3
Office of Labor Market Information Analysis			1.3	1.3
Miscellaneous	0.1	1.6		1.7
Total	**$13.8**	**$10.1**	**$151.9**	**$175.8**

Source: *Fiscal Digest of the State of Maryland for the Fiscal Year 2003*, Department of Budget and Management; *Fiscal 2003 State Budget Books*

Occupational and Professional Licensing

The department collects general and special fund revenues from boards and commissions within the Division of Occupational and Professional Licensing. Revenues are primarily generated from license and examination fees. An estimated $5.9 million in occupational and professional licensing fees in fiscal 2003 will be credited to the general fund. Fees of $1.1 million will be collected as special funds to directly offset operating costs of some boards and commissions.

Most licenses are renewed biennially, causing revenues to fluctuate from one year to the next. Listed below are the average annual revenues for fiscal 2000 to 2003 for each of the boards.

Board or Commission	Average Annual Revenues (FY 2000 – 2003 est.)
Board of Barbers	$ 190,000
Board of Examining Engineers	86,000
Board of Real Estate Appraisers	80,000
Board of Master Electricians	82,000
Board of Plumbing	202,000
Secondhand Precious Metals and Gem Dealers and Pawnbrokers	13,000
Board of Architects	107,000
Board for Professional Land Surveyors	45,000
Board for Professional Engineers	332,000
Board for Public Accountancy	387,000
Board of Foresters	11,000
Board of Pilots	21,000
Home Improvement Commission	1,704,000
Real Estate Commission	1,279,000
State Athletic Commission	11,000
Board of Heating, Ventilation, Air Conditioning, and Refrigeration Contractors	221,000
Board of Certified Interior Designers	33,000
Board of Cosmetology	918,000
Board of Landscape Architects	82,000
Office of Cemetery Oversight[1]	163,000
State Board of Docking Masters[2]	6,000

[1] Office of Cemetery Oversight only has three years worth of data.
[2] State Board of Docking Masters only has one year of data.
Source: Department of Labor, Licensing, and Regulation

Sections of the Maryland Annotated Code

Generally, Business Occupations and Professions Article

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II
Business Regulation in Maryland, Volume VIII

Labor and Industry

General fund revenues of $1.5 million are projected in fiscal 2003 for the Division of Labor and Industry, mainly from licensing activities and penalty recoveries. The Employment Standards and Employment Agencies Program collects penalties from firms that violate wage and employment laws, and the Safety Inspection Program collects revenues for the licensing of boiler and pressure vessels.

The Maryland Occupational Safety and Health Administration will receive approximately $4.4 million in federal funds in fiscal 2003 from its federal counterpart to develop workplace inspection and safety training programs.

Sections of the Maryland Annotated Code

Generally, Labor and Employment Article

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II
Business Regulation in Maryland, Volume VIII

Financial Regulation

In fiscal 2003 the Division of Financial Regulation is projected to collect $6.0 million in licensing and examination fees from financial institutions that will be deposited as general funds.

Sections of the Maryland Annotated Code

Financial Institutions Article, Sections 5-203, 6-303, and 9-502 and, generally, Titles 11 and 12

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II
Business Regulation in Maryland, Volume VIII

Horse Racing

The Division of Racing provides administrative support services to the Maryland Racing Commission. General fund revenues of $260,000 in fiscal 2003 are expected from license and registration fees imposed on horse racing participants and certain track employees.

Special fund revenues of $3.4 million are projected from uncashed pari-mutuel tickets and impact aid payments and reimbursements from tracks for division operations. The division operates a drug testing laboratory, performs background checks on track employees, and officiates race results.

Sections of the Maryland Annotated Code

Business Regulation Article, Sections 11-401 through 11-406

Legislative Handbook Series Cross-reference

See Appendix 2 of this handbook for more specific information on racing revenues.

See Chapter 9 – Miscellaneous Taxes of this handbook for information on the pari-mutuel tax.

Government Services in Maryland, Volume II
Business Regulation in Maryland, Volume VIII

Employment and Training

Special funds of $4.0 million are projected in fiscal 2003 from fines, penalties, and interest generated from assessments on employers who fail to observe State or federal rules under the unemployment insurance law.

Federal funds of $59.6 million for the unemployment insurance program will be used to finance the costs of administration in fiscal 2003. All State unemployment insurance tax collections are used solely for the payment of benefits and remain entirely off budget. Each

state is required to operate an unemployment insurance program, but states are prohibited from using their tax revenues to pay for administrative costs.

Federal funds of $18.3 million are anticipated to pay for the costs associated with operating the Maryland Job Service in fiscal 2003. The Wagner-Peyser Act of 1933 established a federal-state employment service consisting of a nationwide network of public employment offices. The objective of this program is to place persons in employment by providing a variety of placement-related services without charge to job seekers.

The State receives an annual grant from the U.S. Bureau of Labor Statistics to research, compute, and analyze data pertaining to labor force activities. Through these federal funds, the State's Office of Labor Market Information and Analysis research monthly unemployment statistics. The grant for fiscal 2003 is expected to be about $1.3 million.

Federal funds of $68.3 million are projected in fiscal 2003 from the federal Workforce Investment Act and various other federal employment and training assistance programs. These funds provide job training and related assistance to economically disadvantaged individuals and reemployment and retraining opportunities for dislocated workers.

Sections of the Maryland Annotated Code

Generally, Labor and Employment Article, Title 11

Legislative Handbook Series Cross-reference

See the discussion of unemployment taxes in Chapter 5 – Business Taxes of this handbook.

See the discussion of public assistance programs in the Department of Human Resources in Chapter 16 – Health, Human Resources, and Juvenile Justice of this handbook.

Government Services in Maryland, Volume II
Business Regulation in Maryland, Volume VIII

Miscellaneous

The Department of Labor, Licensing, and Regulation also receives revenues from various miscellaneous sources. These sources are expected to generate a total of $1.7 million in fiscal 2003 ($100,000 general funds; $1.6 million special funds).

Executive and Administrative

Exhibit 20.5 is a summary of the estimated fiscal 2003 revenues to be collected by executive and administrative control agencies. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 20.5
Executive and Administrative Agencies Revenue Estimates
Fiscal 2003
($ in Millions)

Revenues by Agency/Program	General Funds	Special Funds	Federal Funds	Total
Office for Individuals with Disabilities		$ 0.1	$ 1.4	$ 1.5
Boards, Commissions, & Offices	$0.3	0.5	43.9	44.7
Department of Aging		0.2	21.4	21.6
Maryland Energy Administration		1.8	0.7	2.5
Military Department		0.4	17.3	17.7
Department of Veterans Affairs		0.2	7.1	7.3
Maryland Institute for Emergency Medical Systems		0.4	0.1	0.5
Department of Planning		0.2		0.2
Department of Budget & Management	1.2	16.9		18.1
General Services		1.7	1.1	2.8
Maryland Insurance Administration		21.3		21.3
Maryland Public Television		22.8	3.5	26.3
Miscellaneous	1.6	6.7	11.4	19.7
Total	**$3.1**	**$73.2**	**$107.9**	**$184.2**

Revenues by Source	General Funds	Special Funds	Federal Funds	Total
Assistive Technology/Disability-related Grants		$ 0.1	$ 1.4	$ 1.5
Filing Fees (State Ethics Commission/Health Claims Arbitration Office)	$0.3			0.3
Site Matching Funds		0.4		0.4
AmeriCorps/Learn & Serve America/Related Programs			6.9	6.9
Juvenile Justice/Delinquency/Other Crime Control Programs			37.0	37.0
Federal Programs for Aging			21.4	21.4
Miscellaneous Department of Aging Fees		0.2		0.2
Energy Overcharge Restitution Trust Fund		0.7		0.7
State & Community Energy Loan Program		0.1		0.1
State Agency Loan Program		1.0		1.0

Exhibit 20.5 (continued)

Revenues by Source	General Funds	Special Funds	Federal Funds	Total
Various Energy Conservation Grants			0.7	0.7
National Guard Bureau Operations			8.4	8.4
Military Youth Corps/About Face Programs		0.2	2.2	2.4
Homeland Defense			1.4	1.4
Armory Rentals		0.2		0.2
Emergency Management Assistance			5.3	5.3
Veterans Home Domiciliary & Nursing Care		0.1	6.8	6.9
Interment Fees		0.1	0.3	0.4
Commercial Ambulance Licensing & Miscellaneous Fees		0.4	0.1	0.5
Department of Planning Goods & Service Fees		0.2		0.2
Delinquent Debt & Collection Fees	1.2	6.4		7.6
Information Technology Investment Fund		4.5		4.5
Universal Service Trust Fund		6.0		6.0
Surplus Property Sales		0.9		0.9
Commercial Space Lease		0.8	1.1	1.9
Health Care Regulatory Fund		1.8		1.8
Insurance Regulation Fund		19.5		19.5
Viewer Support		6.5		6.5
Corporate Support		7.0		7.0
Maryland Public Television Interest & Investment Income		3.7		3.7
Community Service & Cooperation for Public Broadcasting		3.0		3.0
Program Royalties & Other Grants		2.6	3.5	6.1
Miscellaneous	1.6	6.7	11.4	19.7
Total	**$3.1**	**$73.2**	**$107.9**	**$184.2**

Note: Detail may not add to total due to rounding.

Source: *Fiscal Digest of the State of Maryland for the Fiscal Year 2003*, Department of Budget and Management; *Fiscal 2003 State Budget Books*

Office for Individuals with Disabilities

Federal funds of $1.4 million are expected for developmental disability and technology assistance programs in fiscal 2003. The Office for Individuals with Disabilities examines State, public, and private programs and services for disabled citizens in order to provide assistance and coordination. The office also administers the Assistive Technology Guaranteed Loan Program financed with interest earned from a nonlapsing off-budget $1.5 million endowment fund. The program enables the purchase of assistive technology by individuals who would not otherwise qualify for traditional credit. The program includes $0.1 million from the loan program as special funds to administer the loan program.

Sections of the Maryland Annotated Code

State Government Article, Title 9, Subtitle 11

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Boards, Commissions, and Offices

A total of $300,000 in general funds are expected from lobbyist registration fees and fines collected by the State Ethics Commission and from filing fees collected by the Health Claims Arbitration Office. These fees also generate a small amount of special fund revenues.

The Governor's Office of Service and Volunteerism will receive federal funds of $6.9 million in fiscal 2003 under the AmeriCorps program, Learn and Serve America – School and Community Programs, and other related federal programs. Special fund revenues of $368,140 are anticipated from matching funds provided by placement sites for AmeriCorps volunteers.

The Governor's Office of Crime Control and Prevention will receive federal funds of $37.0 million for the following programs: (1) juvenile justice and delinquency prevention; (2) Title V – Delinquency Prevention Program; (3) Part E – State Challenge Activities; (4) Drug Control and System Improvement Formulas Grant; (5) Violent Offender Incarceration Incentive Grant; (6) Violence Against Women Formula Grants; (7) Grants to Encourage Arrest Policies; (8) Local Law Enforcement Block Grant; (9) residential substance abuse treatment for State prisoners; (10) underage drinking, (11) safe and drug free schools, (12) the Police Corps program; and (13) the Consolidated Knowledge Development and Application Program.

Sections of the Maryland Annotated Code

Generally, State Government Article

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Department of Aging

The Department of Aging will receive federal funds totaling $21.4 million in fiscal 2003, of which of $7.3 million will be used to provide nutritious meals, nutrition education, and other nutrition services to individuals over age 60. Federal grants of $3.9 million will be used to implement comprehensive and coordinated community-based systems of support service for older individuals, including services provided at multipurpose senior centers. The Nation Family Caregiver Support Program will provide $1.7 million in federal funds. Federal funds of $1.8 million will be used to purchase certain food items and to cover the costs of administering the food distribution and exchange program. The department anticipates receiving $3.8 million in federal medical assistance funds under the Medicaid waiver program for home care services and assisted living for low-income seniors as an alternative to nursing homes. Approximately $1.7 million is anticipated in federal funds from the Community Service Employment Program to provide part-time work opportunities (usually 20 hours per week) in community service activities for unemployed low-income persons who are 55 years of age and older. Several miscellaneous federal grants for the department will total $1.2 million.

Registration fees for continuing care programs will bring in about $249,153 of special funds.

Sections of the Maryland Annotated Code

Generally, Article 70B

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Maryland Energy Administration

The Maryland Energy Administration expects special fund revenues of $1.8 million in fiscal 2003. Approximately $680,000 will be drawn from the Energy Overcharge Restitution Fund and the remaining $1.1 million will be generated from repayments to the Community Energy Loan Program ($98,884) and the State Agency Loan Program ($1.0 million).

The administration will also receive $715,059 in federal funds to support the following programs: State Energy Conservation, Energy Conservation for Institutional Buildings, and State Heating Oil and Propane.

Sections of the Maryland Annotated Code

State Government Article, Sections 9-2001 through 9-2005

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Military Department

The Military Department is charged with maintaining a highly trained National Guard within the State that can be called upon in a time of emergency. Federal funds of $8.4 million will be received as an operating subsidy from the National Guard Bureau in fiscal 2003. An additional $2.2 million in federal funds will be received to support the Military Youth Corps. The Military Department also expects $1.4 million to support Homeland Defense Programs of the National Guard and the Maryland Emergency Management Agency. Special funds of $0.2 million are expected from armory rentals.

The Maryland Emergency Management Agency provides overall direction and coordination with Federal Emergency Management Agency, State agencies, local jurisdictions, and private organizations on disaster and emergency preparedness, response, and recovery services. The agency will receive federal funds of $5.3 million in fiscal 2003 for State and local assistance, chemical stockpile emergency preparedness planning, homeland security, and other miscellaneous emergency management funds.

Sections of the Maryland Annotated Code

Generally, Article 65 and Article 16A

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Department of Veterans Affairs

The Department of Veterans Affairs operates the Charlotte Hall Veterans Home in St. Mary's County. The home provides domiciliary and comprehensive care to veterans who are unable to care for themselves or need skilled nursing care. Federal funds totaling $6.8 million in fiscal 2003 will be used for services and institutional operations of the

Charlotte Hall Veterans Home. Approximately $100,000 in special funds is expected for fiscal 2003 from gifts and bequests for the home.

The department will also receive $328,631 in federal funds for interment of veterans and special funds of $148,000 for interment of dependents in State veterans cemeteries.

Sections of the Maryland Annotated Code

Generally, State Government Article, Title 9, Subtitle 9

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Maryland Institute for Emergency Medical Services Systems

The Maryland Institute for Emergency Medical Services Systems expects about $414,000 in special funds from licensing commercial ambulances and other miscellaneous fees. The primary source of funding for the institute is the Emergency Medical Systems Operation Fund, which is funded from an $11 surcharge on motor vehicle registrations. The institute also will receive $100,000 in federal funds to provide emergency medical services for children.

Sections of the Maryland Annotated Code

Education Article, Section 13-503; and Transportation Article, Section 13-954

Legislative Handbook Series Cross-reference

Chapter 10 – Transportation Revenues of this handbook
Government Services in Maryland, Volume II

Department of Planning

The Department of Planning's anticipates special fund collections of $172,158 in fiscal 2003 from fees collected on goods and services provided. The Department of Planning's Data Services Program and Parcel Mapping Program publish and make available to the public socio-economic, cultural, and geographic land use data and computerized property maps.

Sections of the Maryland Annotated Code

State Finance and Procurement Article, Section 5-304

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Department of Budget and Management

The Office of the Chief of Information Technology manages the Information Technology Investment Fund, a nonlapsing special fund used to fund educationally related information technology projects and State information technology projects. Special fund income for fiscal 2003 is projected at $4.5 million for this fund.

The Central Collection Unit collects delinquent debt (other than overdue taxes) that is owed to various State agencies. For some agencies, including nonbudgeted agencies, collections are returned to the agency after deduction of a collection fee, which may not exceed 20 percent of the outstanding principal and interest. All fees collected are credited to the Central Collection Fund, which is a continuing, nonlapsing fund. Special funds of $6.4 million are expected in fiscal 2003 from these fees. Fiscal 2003 general fund revenues, estimated at $1.2 million, are from the collection of delinquent general fund revenues.

Special fund income of approximately $6.0 million is anticipated from public telephone utilities for the Universal Service Trust Fund. This fund, used to provide relay services, TDD equipment, and outreach services for deaf individuals, is funded by a monthly surcharge on telephone lines.

Sections of the Maryland Annotated Code

State Finance and Procurement Article, Sections 3-301 through 3-306

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

General Services

The Department of General Services is projected to receive $914,760 in special funds from the sale of State and federal surplus tangible personal property. Special funds of $800,000 are expected from the lease of commercial space and cafeteria operations.

The department will also receive federal funds of $500,000 from homeland defense for increased security of State facilities and $645,929 from the Medical Assistance Program for rent charges.

Sections of the Maryland Annotated Code

State Finance and Procurement Article, Sections 4-504 through 4-508

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Maryland Insurance Administration

The Maryland Insurance Administration expects a total of $21.3 million in special funds in fiscal 2003. Approximately $19.5 million is from the Insurance Regulatory Fund assessments on the insurance companies subject to administration regulation, and $1.8 million is from the Health Care Regulatory Fund assessments on health care benefit plans. The Health Care Regulatory Fund supports the services of the Appeals and Grievance Unit.

Sections of the Maryland Annotated Code

Insurance Article, Sections 2-101 through 2-215

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Maryland Public Television

Membership contributions are projected at $6.5 million (special funds) in fiscal 2003 as a result of solicitations made to the public in viewing areas.

Special fund revenues of $7.0 million are expected from corporate sponsorship. Local and national corporations or charitable foundations provide both one-time only and ongoing general support grants to acquire or produce programming.

Program sales activities are expected to generate special funds of $2.6 million. The two major types include: (1) sales of written material such as membership guides, course materials for on-air college courses, and program transcripts; and (2) distribution and sales of television programs. Production costs are recouped by marketing television programs produced by the station to other public television stations and foreign programmers.

Maryland Public Television also expects special funds of $3.7 million in interest income and other miscellaneous revenues that will be used to support its general operations.

The Corporation for Public Broadcasting will provide $0.9 million in federally supported revenues, which are considered special fund revenues. Total special fund revenues to the commission are thus $22.8 million in fiscal 2003. The Corporation for Public Broadcasting funds the station in four ways: direct operating grants, program purchases and underwriting of original programming, equipment replacement, and special underwriting of specific programming.

Sections of the Maryland Annotated Code

Education Article, Title 24, Subtitle 2

Legislative Handbook Series Cross-reference

Government Services in Maryland, Volume II

Miscellaneous

The executive and administrative control agencies also receive revenues from various miscellaneous sources. These sources, which are projected to generate a total of $19.7 million in fiscal 2003, are listed below.

General Funds	Amount
Board of Public Works	$ 166,204
Office for Individuals with Disabilities	25,000
Maryland Energy Administration	33,381
Secretary of State	965,000
Commission on Human Relations	2,000
Maryland Stadium Authority	2,000
Office of Administrative Hearings	361,750
Total	**$1,555,335**

Special Funds	Amount
State Ethics Commission – Lobbyist Registration	$ 46,000
Health Claims Arbitration Office – Filing Fees	29,400
Board of Pubic Works – Fire Truck Loan Fund	125,000
Board of Public Works – Stadium Authority Payment for School Construction	2,400,000
Office of Children, Youth, and Families – Conference Fees	159,175
Office of Children, Youth, and Families – Anne C. Casey Foundation	60,000
Office of Children, Youth, and Families – Freddie Mac Foundation	210,000
Secretary of State – Sale of Documents	502,295
St. Mary's City Commission – Visitor Fees	594,103
State Archives – Consolidated Publications Account	2,487,423
Canal Place Preservation and Development Authority – Rent Income	78,997
Total	**$6,692,393**

Federal Funds	Amount
Board of Public Works – Capital School Construction Grant	$10,536,000
Office of Children, Youth, and Families	173,964
Commission of Human Relations	555,292
Governor's Workforce Investment Board	39,994
Forvm for Rural Maryland	115,468
Total	**$11,420,718**

Retirement

The Maryland State Retirement Agency's revenue estimates for fiscal 2003 are set forth in Exhibit 20.6. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 20.6
Retirement Agency Revenue Estimates
Fiscal 2003
($ in Millions)

Revenues by Agency/Program	Special Funds	Total
State Retirement Agency	$19.8	$19.8
Supplemental Retirement Plans	1.4	1.4
Total	**$21.2**	**$21.2**

Revenues by Source	Special Funds	Total
Investment Income (State Retirement and Pension)	$19.8	$19.8
Participants' Supplemental Retirement Funds	1.4	1.4
Total	**$21.2**	**$21.2**

Source: *Fiscal Digest for the State of Maryland for the Fiscal Year 2003*, Department of Budget and Management; *Fiscal 2003 Budget Books*

Maryland State Retirement Agency

The Maryland State Retirement Agency's fiscal 2003 operations will be funded with special fund revenues of $19.8 million, which are funded from the State Retirement and Pensions Systems' $30 billion estimated fiscal 2003 end fund balance.

Sections of the Maryland Annotated Code

Generally, State Personnel and Pensions Article, Sections 21-101 to 21-604

Legislative Handbook Series Cross-reference

Maryland State Personnel and Pensions, Volume V
Government Services in Maryland, Volume II

Board of Trustees of the Maryland Teachers' and State Employees' Supplemental Retirement Plans

Special fund revenues of $1.4 million are expected in fiscal 2003 from participants in the supplemental retirement plans for the implementation, maintenance, and administration of the plans. These special fund revenues cover all the plans' expenses.

Sections of the Maryland Annotated Code

Generally, State Personnel and Pensions Article, Titles 21, 22, and 23

Legislative Handbook Series Cross-reference

Maryland State Personnel and Pensions, Volume V
Government Services in Maryland, Volume II

Appendix 1. Motor Vehicle Administration Fee Schedule for Motor Vehicle Registration, License, and Other Fees

Revenue Source	Rate/Fee	Section of Transportation Article
Registration Fees:		
Class A (Passenger)[1]		
3,700 lbs. or Less	$76 Biennially	13-912
Over 3,700 lbs.	$103 Biennially	13-912
Class B (For Hire)[1]	$184 Biennially	13-913
Class C (Funeral & Ambulance)[1]	$130 Biennially	13-914
Class D (Motorcycle)[1]	$59 Biennially	13-915
Class E (Single Unit Truck)[1]		
< ¾ Ton Capacity & 7,000 lbs.	$89.50 Biennially	13-917
> ¾ Ton Capacity & 7,000 lbs.	$58.50 - $951 (Based on Weight)	13-916
Dump Truck	$751 - $1,306	13-919
Tow Truck		
26,000 lbs. or Less	$100	13-920
Over 26,000 lbs.	$300	13-920
Farm Truck > ¾ Ton	$27.50 - $195	13-921
Class F (Truck Tractor)[1]		
Truck Tractor	$591 - $1,291	13-923
Farm Truck Tractor	$131 - $251	13-924
Class G (Trailer & Semitrailer)		
Nonfreight	$13.50 - $81	13-927
Freight	$20.25	13-927
Farm Trailer/Semitrailer	$6.75 - $40.50	13-930
Class H (School Bus & Vehicle)[1]		
Type I School Vehicle	$38	13-932
Type I School Vehicle – Charter	$92	13-932
Class J (Van Pool)[1]	$51.50	13-934
Class K (Farm Area)	$1.35	13-935
Class L (Historic)	$27 Biennially	13-936
Class M (Multipurpose)[1]		
3,700 lbs. or Less	$76 Biennially	13-937
Over 3,700 lbs.	$103 Biennially	13-937
Class N (Street Rod)	$27 Biennially	13-937.1

Revenue Source	Rate/Fee	Section of Transportation Article
Class P (Passenger Bus – Charter)[1]	$186 - $636 (Based on Capacity)	13-933
Class Q (Limousine)[1]	$111 Annually	13-939
Interchangeable Registration Fees:		
Class 1A (Dealer)	$50	13-940*
Class 1B (Motorcycle Dealer)	$25	13-941*
Class 1C (Trailer Dealer)	$32.50	13-942*
Class 2 (Recycler)	$62.50	13-943*
Class 3 (Finance Company)	$50	13-944*
Class 4 (Mobile Equipment Operator)	$62.50	13-945*
Class 5 (Transporter)	$62.50	13-946*
Special Registration Fees (in Addition to Regular Registration Fees):		
Vanity Plates	$25	13-613
Amateur Radio Operator Tags	$5	13-617
Organizational Tags		
Logo	$25 Initial Purchase Only	13-619*
Nonlogo	$15 Initial Purchase Only	13-619*
Combat-related	$25 Initial Purchase Only	13-619.1*
Vintage Tags	$13.50 Initial Purchase Only	13-936.1
Chesapeake Bay Tags	$20 Initial Purchase Only ($8 to MVA)	13-618
Maryland Agricultural Education Foundation Tags	$20 Initial Purchase Only $5 Annual Renewal Fee ($10 to MVA)	13-619.2*
Registration Related Fees:		
Replacement Tags with Card & Stickers	$20	13-952*
Additional Duplicate Card &/or Stickers	$5	13-950*
Registration/Tag Transfer	$10	13-502.1*
15-day Temporary Tag	$20	13-405*

Revenue Source	Rate/Fee	Section of Transportation Article
60-day Temporary Tag	$15	13-605*
Nonresident Permit	$27	13-402.1*
Salvage Certificate	$20	13-506*
Duplicate Salvage Certificate	$20	13-506*
VIN Inspection Fee Salvage Certificate	$25	13-506*
Parking/Electronic Toll Flag Restoration	$30	26-305 & 27-110*
Driver Examination & Licensing Fees:		
Provisional License		
Conversion/Renewal	$5	16-111*
Duplicate/Correction	$20	16-111*
New Resident Drivers License	$45	16-111.1*
Drivers License Renewal	$30 Five Years	16-115*
Duplicate Drivers License	$20	16-111.2*
Drivers License Correction		
Under 21 Years of Age	$20	16-111.2*
21 Years of Age or Older, Issued as Renewal	$20 Five Years	16-111.2*
Learner's Permit		
Type I (Initial License)	$45 Five Years	16-105*
Type II (Subsequent License)	$30 Five Years	16-105*
Commercial License		
Conversion/Renewal	$30 Five Years	16-818*
New License	$30 Five Years	16-818*
Learner's Permit	$30	16-111*
Skills Test	$40	16-818*
Retest	$20	16-818*
Duplicate/Correction	$20	16-114.1*
Moped License		
New License	$45	16-104.2*
Renewal	$30	16-104.2*
Duplicate	$5	16-104.2*
Photo Identification Card		
New Card	$15	12-301*
Duplicate	$20	12-301*

Revenue Source	Rate/Fee	Section of Transportation Article
Titling Fees:		
Title Certificate		
New	$23	13-802*
Used	$23	13-802*
Corrected	$20	13-118*
Duplicate	$20	13-805*
Title Transfer (Additional Service Fee)	$25	13-112*
Security Interest Filing	$20	13-202*
Duplicate Security Interest Filing	$20	13-953*
Titling Tax	5% of Market Value $25 Minimum	13-809
IRP Fees:		
Duplicate Registration Card	$5	TG 9-219[2]*
Temporary Authorization	$2	TG 9-221[2]*
Trip Permit	$15 Every 72 Hours	TG 9-219[2]*
Business Licenses:		
Salesman	$50	15-406*
New Car Dealer	$500 Biennially	15-307*
Used Car Dealer	$500 Biennially	15-307*
Motorcycle Dealer	$300 Biennially	15-307*
Trailer Dealer	$300 Biennially	15-307*
Boat Trailer Dealer	$100 Biennially	15-307*
Wholesale Dealer	$500 Biennially	15-307*
Distributor or Manufacturer		
1 to 50 Vehicles	$200 Biennially	15-204*
51 to 500 Vehicles	$600 Biennially	15-204*
501 to 10,000 Vehicles	$1,000 Biennially	15-204*
Over 10,000 Vehicles	$2,000 Biennially	15-204*
Factory Branch	$2,000 Biennially	15-204*
Automotive Dismantler & Recycler	$400 Biennially	15-505*

Revenue Source	Rate/Fee	Section of Transportation Article
Scrap Processor	$400 Biennially	15-505*
Title Service Agent	$125 Biennially	15-603*
Duplicate License	$10	15-107*
Professional Driving School Fees		
Duplicate Driver Education Certificate	$2	12-104*
Probationary Driver Education Instructor License	$50	15-805*
Additional	$5	15-107*
Permanent Driver Education Instructor License	$150 Biennially	15-805*
Additional	$5	15-107*
Professional Driving School Application		
Application	$200	15-703*
License	$150 Biennially	15-704*
Branch Facility License	$50	15-704*
Duplicate	$10	15-704*
Driver Education Instructor Identification Card		
Duplicate Probationary	$10	15-805*
Duplicate Permanent	$10	15-805*
Apprentice Instructor Permit	$25	15-805*
Conversion of Apprentice Instructor Permit to Regular	$25	15-805*
Other Licensing and Consumer Services Fees:		
Listings (Branches, Schools, etc.)		
Certified	$10	12-104*
Noncertified	$5	12-104*
Shuttle Permits (500 Count)	$25	13-626*
Copies of Dealer Records		
Certified	$10	12-104*
Noncertified	$5	12-104*
Dealer Booklet		
Listing Over the Counter	$20	12-104*
Listing by Mail	$22	12-104*

Revenue Source	Rate/Fee	Section of Transportation Article
Miscellaneous Fees:		
Vehicle Emissions Inspection Program:		23-205
VEIP Regular Test Fee	$14 Biennially	
VEIP Late Fee	$15 Every 28 Days	*
Replacement VEIP Certificate	$10	*
VEIP Inspection Fleet Fee Per Vehicle Passed	$14	*
Motorcycle Safety Courses:		16-603*
Resident		
Beginner	$100	
Experienced	$50	
Nonresident		
Beginner	$150	
Experienced	$75	
Insurance Compliance Division:		17-106
Uninsured Penalty Fee		
First 30 Days	$150	
After 30 Days	$7 Daily	
Restoration Fees – Investigations	$25	
Driver Control & Records:		
Copies		
Certified	$10	12-113*
Noncertified	$7	12-113*
Drivers License Reinstatement		
Appointment Filing Fee	$15	16-209*
Alcohol Related	$60	16-209*
Nonalcohol Related	$30	16-209*
Provider Fees		
Point System Conference	$200 Biennially	16-212*
Driver Improvement Program	$100 Biennially	16-212*
Three-hour Drug & Alcohol Education Program	$200 Biennially	16-212.1*
Sale of Bulk Data:		
Government	$250 Minimum, 2.5 Cents Per Record Over 10,000	12-112*
Nongovernment	$500 Minimum, 5 Cents Per Record Over 10,000	12-112*
Other Fees:		
Sale of Law Books	$35	12-115*
Self-insurance Actuarial Fee	$750	17-103
Bad Check Service Charge	$25 or 10% of Check	12-116

[1] These classes include an $11 Medevac surcharge pursuant to the Transportation Article, Section 13-954.
[2] Motor carrier regulation fees are governed by the Tax – General Article.
* Level of fee is established by regulations of the Motor Vehicle Administration.

Appendix 2. Horse Racing Revenues and Disbursements

	2000 Actual	2001 Actual	2002 Estimated	2003 Estimated
Revenues:				
Betting Taxes	$ 1,760,997	$ 1,743,438	$1,830,000	$1,760,000
Track Licensing	24,575	22,675	22,500	22,500
Occupational Licensing	291,965	288,200	290,000	260,000
Impact Fund	309,000	307,000	308,000	326,000
Uncashed Pari-mutuel Tickets	1,361,536	2,244,635	1,700,000	2,000,000
Reimbursements	964,081	868,126	846,791	857,056
Lottery Revenue	9,970,148	10,000,000	1,700,000	
Takeout for Redevelopment Fund		1,492,342	1,607,000	1,607,000
General Fund Appropriation				1,298,000
Total Revenues	$14,682,303	$16,966,416	$8,304,291	$8,131,456
Grants:				
Great Pocomoke Fair	$ 20,000	---	$ 30,000	$ 20,000
Great Frederick Fair	40,000	$ 40,000	40,000	40,000
MD Agricultural Education Foundation	75,000	75,000	75,000	75,000
MD Agricultural Fair Board	825,000	825,000	825,000	825,000
MD State Fair & Agricultural Society	500,000	500,000	500,000	500,000
Maryland Million	500,000	500,000	500,000	500,000
Standard Race Fund Sire Stakes			350,000	350,000
Impact Aid:				
Anne Arundel County	420,000	429,000	420,000	420,000
Baltimore County	50,000	50,000	50,000	50,000
Howard County	105,000	107,250	105,000	105,000
Prince George's County	100,000	100,000	100,000	100,000
Baltimore City	585,200	583,800	585,200	585,200
City of Bowie	18,200	18,200	18,200	18,200
City of Laurel	63,000	64,350	63,000	63,000
Other:				
Fairhill Improvement Fund	15,024	16,851	16,000	16,000
Track Operation	846,791	894,971	846,304	857,056
Purses	9,970,148	10,000,000	1,607,000	1,607,000
Bred Funds	548,940	1,249,652	483,587	
Racetrack Improvement Fund		1,492,342	1,700,000	2,000,000
Total Disbursements	$14,682,303	$16,966,416	$8,304,291	$8,131,456
Revenues Less Disbursements	$0	$0	$0	$0

Source: *Fiscal 2003 State Budget Books*; Department of Legislative Services

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