

Part B Taxes

Property Tax

Property Tax Administration

Homestead Property Tax Credit Eligibility – Repeal of Application Requirement

Chapters 564 and 565 of 2007 require homeowners, beginning in January 2008, to file a specified application with the State Department of Assessments and Taxation (SDAT) to qualify for the homestead property tax credit. Specifically, Chapters 564 and 565 prohibit SDAT from authorizing the credit, and the State, county, and municipal governments are prohibited from granting the credit unless the application is filed • within 180 days following the date a dwelling is transferred for consideration to new ownership, for a dwelling that is transferred to new ownership after December 31, 2007; or • on or before December 31, 2012, for a dwelling that was last transferred to new ownership on or before December 31, 2007.

Beginning January 2008, the first homestead tax credit applications were sent out to Maryland homeowners with the annual assessment notices. In order to verify eligibility, this application requires homeowners to include their Social Security number on the application. As a governmental tax agency, SDAT has legal authority to possess federal tax information, including Social Security numbers for all Maryland residents. While SDAT is legally entitled to possess this information, there are several safeguards in place to ensure that this information is used legally and remains confidential.

However, after complaints were voiced by homeowners regarding the use of Social Security numbers and the timeframe of the application process, legislation was introduced to either repeal or modify the application requirement enacted by Chapters 564 and 565.

Senate Bill 239/House Bill 1256 (both failed) were introduced as emergency legislation and would have repealed Chapters 564 and 565 of 2007 so that homeowners would not be required to file an application with SDAT to qualify for the homestead property tax credit.

Homestead Property Tax Credit – Application Modification

In addition to the two bills that would have completely repealed Chapters 564 and 565 of 2007, several bills were introduced that would have altered the homestead property tax credit application process.

Senate Bill 113/House Bill 791 (both failed) would have prohibited the application form for the homestead property tax credit program from requiring a homeowner to provide his or her Social Security number. *House Bill 1172 (failed)* would have required SDAT to mail application forms for the homestead property tax credit by specified dates and would also have prohibited SDAT from mailing homestead property tax credit applications with property tax assessment notices or tax bills. *House Bill 1180 (failed)* would have provided that the requirement for homeowners to file applications with SDAT to qualify for the tax credit would not apply to a dwelling for which the credit was received for any taxable year beginning on or before July 1, 2007, unless the dwelling is transferred for consideration to new ownership on or after December 31, 2007.

Real Property Assessment Notification

Real property is valued and assessed once every three years. This approach, the triennial assessment process, was part of a major property tax reform in 1979. Under this process, assessors from SDAT physically inspect each property every three years. Section 8-104 of the Tax – Property Article provides that in any year of a three-year assessment cycle, real property must be revalued if any of the following factors cause a change in the value of the real property:

- the zoning classification is changed at the initiative of the owner or anyone having an interest in the property;
- a change in use or character occurs;
- substantially completed improvements are made which add at least \$50,000 in value to the property;
- an error in calculation or measurement of the real property caused the value to be erroneous;
- a residential use assessment is terminated under specified circumstances; or
- a subdivision occurs.

However, Section 8-401 of the Tax – Property Article requires that a change to a prior valuation be made on the semiannual date of finality or any other specified date occurring after the change to the property.

House Bill 1537 (passed) clarifies when assessment notices are sent with regards to a prior valuation of real property after specified changes have been made to a property by conforming Section 8-401 to Section 8-104, therefore codifying current practice with regards to assessment notifications.

Timeframe for Assessment Appeals

Senate Bill 465 (passed) decreases the time period within which the Maryland Tax Court must hear and determine a residential property tax assessment appeal from within 120 days to within 90 days, unless the Court grants an extension at the request of a party.

Solar and Geothermal Tax Incentive and Grant Program

House Bill 377 (passed) exempts specified solar energy property from State and local real property taxes and specifies that a geothermal heating and cooling system, either as a stand-alone system or as a combined geothermal and conventional system, is not to be assessed at more than the value of a conventional system for property tax purposes.

For a more detailed discussion of the other provisions of this bill, see the subparts “Sales Tax” within Part B – Taxes and “Environment” within Part K – Natural Resources, Environment, and Agriculture of this *90 Day Report*.

Personal Property Tax

Municipalities are currently authorized to provide a personal property tax refund without interest within three years after the claim is approved if it is determined by SDAT that the refund is the result of a failure to file a specified report or other taxpayer error. *Senate Bill 455/House Bill 429 (both passed)* authorize a county to provide a personal property tax refund without interest within 180 days after the claim is approved if it is determined by SDAT that the refund is the result of a failure to file a specified report or other taxpayer error.

Tax Sales

When a property is purchased at tax sale, the purchaser of a tax sale certificate must pay the tax collector any delinquent taxes, penalties, sale expenses, and under certain conditions, a high bid premium. The remainder of the purchase price is not paid to the collector until the purchaser forecloses the property. The property owner has the right to redeem the property within six months from the date of tax sale by paying the delinquent taxes, penalties, interest, and certain expenses of the purchaser. If the owner redeems the certificate, the purchaser is refunded the amounts paid to the collector plus the interest and expenses. If the owner does not redeem the certificate, the purchaser has the right to foreclose on the property after the six-month right of redemption period has passed.

Senate Bill 854/House Bill 1211 (both passed) are emergency bills that alter the tax sale process in the State.

The major provisions of the legislation include:

- increasing the minimum amount of taxes due on a property from \$100 to \$250 by which a tax collector may withhold the property from a tax sale;
- allowing the taxing jurisdiction to determine the manner and terms by which a holder of a certificate of sale is to be paid for expenses and fees incurred;
- providing for additional notice requirements from the tax collector and the holder of a tax sale certificate to the property owner before a right of redemption may be foreclosed;

- placing caps on the amount of attorney’s fees that a certificate holder may charge a property owner upon redemption, with the amount varying slightly depending on whether an affidavit of compliance has been filed; and
- itemization and caps on various expenses that a tax sale certificate holder may charge a property owner upon receiving a certificate of sale and the redemption of that certificate.

House Bill 722 (passed) requires local governments, prior to beginning the tax sale process, to provide a list to the local area agency on aging of any persons who have delinquent taxes on a property if the property owner on record has owned the property for at least 25 years. The list must be mailed at least 30 days before the property is first advertised for a tax sale. *House Bill 722* is intended to reduce the possibility that elderly homeowners lose their homes due to delinquent taxes.

BRAC Community Enhancement Act

Senate Bill 206 (passed) establishes a process for the creation of BRAC Revitalization and Incentive Zones in the State. The benefits of a BRAC Zone designation are primarily State financial incentives provided to local jurisdictions related to property taxes generated on improvements to qualified properties within BRAC Zones. The bill also authorizes payment in lieu of tax agreements that may be entered into by the State, local jurisdictions, and private developers for developments on federal enclave property.

For a more detailed discussion of other provisions of this bill, see the subpart “Economic Development” within Part H – Business and Economic Issues of this *90 Day Report*.

Local Option Tax Credits

Commercial Waterfront Property

Senate Bill 676/House Bill 612 (both passed) authorize counties and municipalities to provide a property tax credit for “commercial waterfront property.” Commercial waterfront property is defined as real property that is adjacent to the tidal waters of the State; is used primarily for a commercial fish operation or as a commercial marina or commercial marine repair facility; and has produced an average annual gross income of at least \$1,000 in the most recent three-year period.

Public Safety Officers and Rescue Workers

Local governments are authorized to grant a property tax credit for the dwelling of a surviving spouse of a fallen law enforcement officer who has not remarried. The dwelling must be the surviving spouse’s legal residence and not be occupied by more than two families. A fallen law enforcement officer means an individual who dies as a result of or in the course of employment as a law enforcement officer. *Senate Bill 481/House Bill 573 (both passed)* expand the eligibility criteria for this property tax credit by authorizing local governments to grant a

property tax credit for a dwelling owned by a disabled law enforcement officer, rescue worker, or correctional officer.

Accessibility Features

House Bill 54 (passed) authorizes local governments to grant, by law, a property tax credit for residential real property equipped with an accessibility feature. Accessibility feature means • a no-step entrance allowing access into a residence; • interior passage doors providing at least a 32-inch-wide clear opening; • grab bars around a toilet, tub, or shower installed to support at least 250 pounds; • light switches, outlets, and thermostats placed in wheelchair-accessible locations; • lever handles on doors; and • universal design features or any accessibility enhancing design feature prescribed by the Department of Housing and Community Development under the Public Safety Article.

Family Assistance Dwelling

Senate Bill 760 (passed) authorizes local governments to grant, by law, a property tax credit against the county or municipal property tax imposed on a family assistance dwelling. A family assistance dwelling is defined as a house, and the lot or curtilage on which the house is erected, if the house is used as the only residence for certain low-income relatives of the homeowner, including a brother, sister, half-brother, half-sister, spouse, parent, step-parent, grandparent, child, step-child, adopted child, or grandchild. The relative’s rental payments to the homeowner must be less than 90 percent of the fair rental price paid for a similar dwelling in the same area. The relative must also be entitled to low-income assistance benefits under a federal or State program. The house cannot be a vacation home or a nonresidence that is used by the homeowner for personal use.

Local Property Taxes

Carroll County

Senate Bill 823 (passed) authorizes Carroll County to grant a property tax credit against county property taxes owed on nonresidential properties that include environmentally friendly or “green” technologies.

Garrett County

Senate Bill 953/House Bill 1566 (both passed) alter the date by which the Garrett County Commissioners must make payments from the special fire tax levy to volunteer fire departments, from September 1 to December and June of each year.

Prince George’s County

Senate Bill 94/House Bill 1018 (both passed) authorize Prince George’s County to grant a property tax credit for agricultural land, including any farm improvement used in connection with an approved agricultural activity, that is subject to a State or county agricultural land

preservation program. Property owners who are granted the property tax credit but subsequently withdraw the property from a State or county land preservation program are liable for property taxes that would have otherwise been paid (up to 10 years), including interest and a penalty.

Somerset County

Senate Bill 468/House Bill 591 (both passed) authorize Somerset County to grant a property tax credit for real property that is not eligible for the homestead property tax credit and for which the current year's taxable assessment exceeds the prior year's taxable assessment by more than 20 percent.

St. Mary's County

House Bill 445 (Ch. 75) extends eligibility for an optional St. Mary's County property tax credit to real property, including improvements, subject to a State or county land preservation program. Currently, the property has to be subject to the Maryland Agricultural Land Preservation District Program or the St. Mary's County Agricultural Land Preservation District Five-year Program.

Worcester County

Legislation was introduced to allow Worcester County and Ocean City to provide property tax credits for amusement parks in Ocean City. *Senate Bill 999/House Bill 1572 (both passed)* authorize Worcester County or a municipality in Worcester County to grant, by law, a property tax credit for • real property known as the Ocean City Amusement and Fishing Pier; and • real property consisting of at least 30 acres located in Ocean City on or west of Route 528 and used exclusively for the operation of an amusement park. *Senate Bill 816/House Bill 1151 (both passed)* authorize Worcester County or a municipality in Worcester County to grant, by law, a property tax credit for real property used as an historically operated amusement park.

Income Tax

Income Tax Surcharge

During the 2007 special session, legislation was adopted to address the State's structural budget deficit. In addition to other actions, legislation provided for increases in several State taxes. Chapter 3 of the 2007 special session expanded the definition of taxable services so that, beginning July 1, 2008, specified computer services would be subject to the State sales and use tax.

In response to significant opposition to the computer service sales tax, particularly from the "high tech" industry, the General Assembly considered several bills to repeal or significantly alter the sales and use tax on computer services. Throughout the session, the debate on repealing the tax focused on how to compensate for the loss of the estimated \$214 million in tax revenue.

Eventually, a compromise was reached involving a combination of budget reductions and new revenues. *Senate Bill 46 (Ch. 10)* repeals the sales tax on computer services and imposes an income tax surcharge for three tax years on taxpayers with net taxable income that exceeds \$1 million. *Senate Bill 46* also redistributes sales and use tax revenues from the Transportation Trust Fund to the general fund and requires the Governor to present a schedule to the Board of Public Works that reduces at least \$50 million in ongoing general fund expenditures from the fiscal 2009 State budget.

Under the bill, the State's top marginal income tax rate increases from 5.5 percent to 6.25 percent for tax years 2008 through 2010. In tax year 2005, an estimated 6,300 tax returns had net taxable income in excess of \$1 million. Montgomery County had the highest number of these returns (41 percent), followed by Baltimore County (16 percent) and Anne Arundel County (9 percent). On average, the surcharge will increase the State income tax burden of an impacted taxpayer by an estimated \$14,200, or a little over 9 percent.

It is estimated that the income tax surcharge will increase revenues by \$154.6 million in fiscal 2009, \$113.3 million in fiscal 2010, and \$60.6 million in fiscal 2011.

For a more detailed discussion of the sales tax provisions of this bill, see the subpart "Sales Tax" within this part.

Additional State Income Tax Credits

The General Assembly passed three new income tax credits in the 2008 session – two related to the environment and one reestablishing a terminated job training credit for younger individuals.

Senate Bill 297 (passed) reestablishes the tax credit program for approved work-based learning programs for students, which was established in 1998 and terminated in 2004. The program will allow an employer to claim a tax credit for 15 percent of the wages paid to secondary or postsecondary students between 16 and 23 years of age who participate in an approved work-based learning program. The total credit claimed per student cannot exceed \$1,500 for all tax years and a maximum of 1,000 students annually may be approved for participation in the program.

Senate Bill 565 (passed) creates a State income tax credit for individuals or corporations who purchase heating oil containing at least 5 percent biodiesel for space or water heating. The amount of the credit is equal to 3 cents per gallon purchased, not to exceed \$500 or the tax liability in that year, and is available through tax year 2012.

House Bill 140 (passed) creates a State income tax credit for cellulosic ethanol technology research and development conducted in the State. The amount of the tax credit is equal to 10 percent of the eligible expenses incurred and cannot exceed the tax liability for that taxable year. The maximum amount available for credits in each year is limited to \$250,000. The credit is available for research and development expenses incurred before January 1, 2017.

Other Tax Credit and Subtraction Modification Legislation

Senate Bill 12 (passed) expands eligibility for the Honorable Louis L. Goldstein Volunteer Police, Fire, Rescue, and Emergency Personnel Subtraction Modification Program by decreasing, from at least 72 months to 36 months of the previous 10 years, the time in which specified individuals must be members of the U.S. Coast Guard Auxiliary. Eligible individuals who serve in a volunteer capacity and qualify for active duty service during the tax year qualify for the \$3,500 subtraction modification provided under the program.

Chapter 99 of 2005 established the biotechnology investment tax credit program, which provides an income tax credit equal to 50 percent of an eligible investment made in a qualified biotechnology company during the taxable year. *House Bill 723 (passed)* makes several changes to the credit program relating to eligibility, the maximum value of the credit, procedures for claiming the credit, and administration of the credit.

House Bill 1534 (passed) authorizes the establishment of a Maryland Broker-Dealer College Investment Plan by the College Savings Plans of Maryland. The purpose of this plan is to provide for a college savings plan distributed by brokers and dealers that allows Maryland taxpayers to deduct contributions to the plan from their taxable income for purposes of State and local income taxes beginning with tax year 2008.

It is estimated that providing the subtraction modification will reduce State income tax revenues by \$240,100 in fiscal 2009, \$1.4 million in fiscal 2010, \$2.6 million in fiscal 2011, \$3.8 million in fiscal 2012, and \$4.8 million in fiscal 2013. However, these estimates will depend on the number of investors that enroll in the new plan.

For a more detailed discussion of this bill, see the subpart “Higher Education” within Part L – Education of this *90 Day Report*.

Employment Tax Credits – Sunset Extensions

Three bills extended the termination dates of existing employment tax credit programs. *House Bill 280 (passed)* extends the Qualifying Employees with Disabilities Tax Credit to June 30, 2009 and authorizes credits to be claimed on behalf of individuals hired through that date. *Senate Bill 314 (passed)* extends the State Employment Opportunity Credit to June 30, 2009, and authorizes credits to be claimed on behalf of individuals hired through that date. *House Bill 721 (passed)* extends the termination date of the Job Creation Tax Credit from 2010 to 2014.

Corporate Income Tax Reporting

In the past several sessions, the General Assembly has considered proposals that would require combined reporting, impose an alternative minimum assessment on corporations, and attempt to increase tax compliance related to offshore “tax havens.” Chapter 3 of the 2007 special session required corporations to report specific tax information to the Comptroller

and the Maryland Business Tax Reform Commission, which was created by Chapter 3. The commission is tasked with analyzing the effects of proposed changes to the corporate income tax.

In response to concerns from the business community that these reporting requirements would be administratively burdensome, *Senate Bill 444/House Bill 664 (both passed)* provide for a streamlined version of the reporting requirements as enacted by Chapter 3. The bills also increase the membership of the Business Tax Reform Commission from 17 to 19 members and terminate the corporate reporting requirements after tax year 2010.

Sales Tax

Sales Tax on Computer Services – Repeal

Chapter 3 of the 2007 special session expanded the definition of taxable service under the sales and use tax so that, beginning July 1, 2008, the State sales and use tax would apply to specified computer services. The computer services sales tax would have remained in effect through June 30, 2013, generating over \$200 million in estimated annual revenues for the State. The anticipated revenues provided a key component of the General Assembly’s overall plan, as adopted during the 2007 special session, for resolving the State’s structural budget deficit.

The enactment of the computer services sales tax led to immediate objections from the “high tech” industry and other business groups in the State. Significant policy concerns raised regarding the new tax included the potential negative impact the tax could have on the high tech sector and, in particular, on small businesses. In addition, concerns were raised related to the administration of the new tax in situations involving computer services intended for resale; contracts in effect prior to the enactment of the new tax; federal contracts; out-of-state vendors; and computer services transactions with multistate aspects.

At the outset of the 2008 session, numerous proposals were introduced to repeal the computer services tax or to alter the imposition of the tax in a variety of ways to address one or more of the policy concerns raised against the tax. Although a consensus developed that the computer services tax should be repealed, obtaining agreement on how to backfill over \$200 million annually in revenues was difficult, especially in light of additional downward revisions in revenue estimates of more than \$300 million.

In the final days of the session, a compromise was reached to allow the repeal of the sales tax on computer services and to make up the lost revenues through a combination of income taxes, revenue redistribution, and additional budget cuts. *Senate Bill 46 (Ch. 10)* repeals the computer services tax, partially replacing the revenues that would have been collected from the tax through an income tax surcharge on the net taxable income of individuals in excess of \$1 million, effective for tax years 2008 through 2010. *Senate Bill 46* also provides additional revenues for the general fund through fiscal 2013, by reducing the percentage of sales and use tax revenues distributed to the Transportation Trust Fund (TTF), altering the distribution of sales and use tax revenues to the TTF established by Chapter 6 of the 2007 special session. In

addition, the Act requires the Governor to present a schedule to the Board of Public Works that reduces at least \$50 million in ongoing general fund expenditures from the fiscal 2009 State budget.

Specifically, *Senate Bill 46* repeals the State sales and use tax on computer services and provides for sales and use tax exemptions for computer services and software maintenance contracts that were in effect prior to the enactment of the tax. To provide for additional general fund revenues to offset in part the loss of the computer services sales tax revenues, the Act reduces from 6.5 to 5.3 percent the percentage of sales and use tax revenues required to be distributed to the Transportation Trust Fund for fiscal 2009 through 2013, diverting approximately \$50 million per year to the general fund.

The Act also increases the top tax rate under the State individual income tax to 6.25 percent for tax years 2008, 2009, and 2010. The 6.25 percent rate applies to net taxable income in excess of \$1 million for any taxable year.

The repeal of the computer services tax, combined with the redistribution of the sales and use tax revenues provided for under the Act, will reduce general fund revenues and Transportation Trust Fund revenues by an estimated \$149.0 million and \$65.0 million, respectively, for fiscal 2009, and by \$164.3 million and \$76.6 million, respectively, in fiscal 2013. This revenue reduction is offset by an estimated \$330.0 million increase in total State income tax revenues over a three-year period (approximately \$154.6 million in fiscal 2009) and approximately \$50.0 million in annual budget reductions, also beginning in fiscal 2009.

For a more detailed discussion of the income tax provisions of this Act, see the subpart “Income Tax” within this part.

Sales Tax-free Periods

Chapter 6 of the 2007 special session created two sales tax-free periods beginning in fiscal 2011 and fiscal 2012 – one for specified energy efficient products and one for back-to-school shopping. Beginning February 2011, Chapter 6 exempts from the State sales and use tax purchases made during the three-day period beginning on the Saturday immediately preceding the third Monday in February of specified Energy Star products or solar hot water heaters. The exemption will apply to purchases of eligible Energy Star air conditioners, clothes washers or dryers, furnaces, heat pumps, standard size refrigerators, compact fluorescent light bulbs, dehumidifiers, programmable thermostats, and solar water heaters.

Senate Bill 456/House Bill 985 (both passed) adds boilers to the list of specified Energy Star products eligible for the sales and use tax exemption enacted by Chapter 6 of the 2007 special session.

Solar and Geothermal Tax Incentive and Grant Program

House Bill 377 (passed) exempts the sale of specified solar energy and geothermal equipment from the State sales and use tax.

For a more detailed discussion of the other provisions of this bill, see the subpart “Property Tax” within this part and the subpart “Environment” within Part K – Natural Resources, Environment, and Agriculture of this *90 Day Report*.

Miscellaneous Taxes

Transportation Taxes

Motor Vehicle Excise Tax – Leased Vehicles

In general, an excise tax is imposed on each original and subsequent certificate of title issued for a motor vehicle. The excise tax is based on the fair market value of the vehicle. The fair market value is the total purchase price of the vehicle or \$640, whichever is greater.

Chapter 6 of the 2007 special session increased the vehicle excise tax rate from 5 to 6 percent of the vehicle’s purchase price or fair market value, while allowing for a reduction in the amount subject to the tax by the full value of a trade-in.

Senate Bill 924/House Bill 1570 (both passed) clarify that an individual trading in a nonleased vehicle to enter into a vehicle lease is eligible for a trade-in allowance against the excise tax imposed on the vehicle being leased.

Motor Vehicle Excise Tax – Returning Military Members

House Bill 669 (passed) expands eligibility for the motor vehicle excise tax credit to include a member of the military who returns to Maryland from, or on, active duty and, within a year, applies for titling and registration of a vehicle previously titled and registered in another state.

Recordation and Transfer Taxes

Domestic Partner Exemption

Under current law, property subject to a mortgage or deed of trust that is transferred between a spouse, former spouse, son, daughter, stepson, stepdaughter, parent, stepparent, son-in-law, daughter-in-law, stepson-in-law, stepdaughter-in-law, parent-in-law, stepparent-in-law, grandchild, or step grandchild is exempt from recordation and transfer taxes. *Senate Bill 597 (passed)* exempts the transfer of residential property between domestic partners and former domestic partners from the recordation tax and State and county transfer taxes. The bill requires specific evidence of a domestic partnership to be provided, including an affidavit signed under penalty of perjury by two individuals stating that they have established a domestic partnership.

Homeowners' Tax Fairness in Eminent Domain Proceedings Act

House Bill 1159 (passed) authorizes the counties and Baltimore City to exempt from county recordation and transfer taxes an instrument of writing that transfers specified improved residential real property to individuals who previously owned property that was acquired for public use by negotiation or condemnation. The bill provides for specified limitations on the recordation tax and transfer tax exemptions.

Agricultural Land Transfer Tax Surcharge

Senate Bill 662 (passed) establishes a 25 percent surcharge on an instrument of writing that transfers title to agricultural land, in addition to the current agricultural land transfer tax. The surcharge does not apply to transfers of two acres or less to a child or grandchild of the owner. The bill also alters the distribution of agricultural land transfer tax revenues.

For a more detailed discussion of the revenue distribution provisions of the bill, see the subpart Agriculture within Part K – Natural Resources, Environment, and Agriculture of this *90 Day Report*.

Arts and Entertainment Districts

House Bill 680 (passed) expands the eligibility criteria for the tax benefits available for qualifying artists residing in an Arts and Entertainment District to include individuals who create original jewelry, clothing, or clothing design. Tailoring services, clothing alteration, or jewelry repair are ineligible for the tax benefits.

Attorney Tax Clearance

Chapter 3 of the 2007 special session imposed “tax clearance” requirements on lawyers in the State, by requiring the Client Protection Fund of the Bar of Maryland to verify through the Comptroller’s Office that an applicant has paid all undisputed taxes and unemployment insurance contributions or has entered into an accepted payment plan before certifying as paid any annual fee paid by a lawyer.

Senate Bill 493 (passed) repeals the requirement that the Client Protection Fund verify that a lawyer has paid all undisputed taxes and unemployment insurance contributions before certifying that the attorney has paid a required annual fee. The bill requires that the fund instead provide a list of all lawyers who have paid their annual fee to the Comptroller, to assist the Comptroller in determining whether each lawyer has paid all taxes and unemployment insurance contributions payable to the Comptroller or the Department of Labor, Licensing, and Regulation. The bill further provides that the Comptroller may refer a lawyer to Bar Counsel if the individual does not make timely payment on their taxes or unemployment insurance contributions.

Municipal Corporation Hotel Rental Tax

Most counties have been authorized by State law to impose a hotel rental tax. Authorized rates vary by county, from as low as 3 percent in Frederick County to as high as 8 percent in Allegany and Baltimore counties. Harford County does not impose a hotel rental tax.

Senate Bill 131 (passed) authorizes municipal corporations to impose a hotel rental tax under specified circumstances, at a rate not to exceed 2 percent. The tax may not be imposed by a municipal corporation that has a current hotel rental tax revenue sharing agreement with the county it is located in, is located in a county that does not impose a hotel rental tax, or is located in a county that distributes at least 50 percent of hotel rental taxes collected to promote tourism in the county. The bill requires that a municipal corporation imposing the tax distribute to a convention and visitors bureau in the county where the municipal corporation is located at least the same percentage of the hotel rental tax collected that the county distributes to the convention and visitors bureau from any county hotel rental tax.

Miscellaneous Local Taxes

Prince George’s County

Under current law, Prince George’s County may impose a sales or use tax on certain forms of energy or fuel used in Prince George’s County. *House Bill 929 (Ch. 97)* provides that the sale or use of energy or fuel used by the Washington Suburban Sanitary Commission in Prince George’s County is not exempt from the Prince George’s County energy tax.

St. Mary’s County

Under current law, St. Mary’s County is authorized to impose a transfer tax until July 1, 2010. *House Bill 402 (Ch. 71)* extends the termination date for St. Mary’s County’s authority to impose a transfer tax to July 1, 2020.

Washington County

Under current law, Washington County may impose a building excise tax on residential and nonresidential building construction. *House Bill 1115 (passed)* alters the building excise tax rate for specified types of buildings and units and eliminates specified exemptions and credits. The bill also adjusts the school capacity limit, from 85 to 90 percent of State rated school capacity, which authorizes a higher building excise tax on a subdivision development where more than 25 building permits for new residential units have been issued in the fiscal year.

