



COMPTROLLER  
*of* MARYLAND  
*Serving the People*

# Consolidated Revenue Report

F I S C A L Y E A R 2 0 0 6

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WILLIAM DONALD SCHAEFER  
Comptroller of Maryland



## MISSION

The Comptroller of Maryland, through the wise development and use of all resources, including technology and the workforce, meets its financial and revenue management and regulatory responsibilities while providing excellent, cost-effective services in both traditional areas and in new and expanded initiatives.

## VISION

Citizens, the professional community, and peers in government recognize the Comptroller of Maryland for its integrity, professional excellence, innovation, and commitment to helping people.

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## TO THE PEOPLE OF MARYLAND:

Most people think that all the Comptroller does is collect taxes, but there are a lot of other lesser-known duties and activities of my agency.

First, it's important that we make paying taxes as *easy* as possible. A major way we do this is by promoting electronic filing, including the option for Marylanders to file online for free by using iFile on [www.marylandtaxes.com](http://www.marylandtaxes.com).

We also make tax paying more equitable through an extensive compliance and regulatory program that works to make sure that everyone pays what he or she owes. This includes one rather creative way to embarrass scofflaws into paying up by posting their names on our Web site. We try hard to get everyone to pay his or her fair share.

We have a very aggressive field inspection program to ensure consistent and equitable payment of sales and use taxes and to reduce the illegal importation of cigarettes and alcohol from other states without paying tax – to level the playing field for our local businesses.

The Comptroller's Office is also responsible for estimating revenues so that the state and local governments can plan their budgets.

In addition, every year, people discover assets that they did not know they had because of an aggressive marketing program done by our agency. Through newspaper advertising and exhibits at public events like the Maryland State Fair, owners are reunited with funds and other unclaimed property such as the contents of safe deposit boxes.

Finally, hundreds of employees from this agency do extensive charity work — both as part of the agency's outreach program and as part of their own personal volunteer commitments. Their contributions to the Maryland Charity Campaign this year involved a 91 percent participation rate, the largest of any Maryland agency.

These are just some of the lesser-known activities that we're involved in. Please check out our Web site to see the others.

A handwritten signature in black ink that reads "William Donald Schaefer". The signature is written in a cursive, flowing style.

William Donald Schaefer  
Comptroller of Maryland

# ORGANIZATION

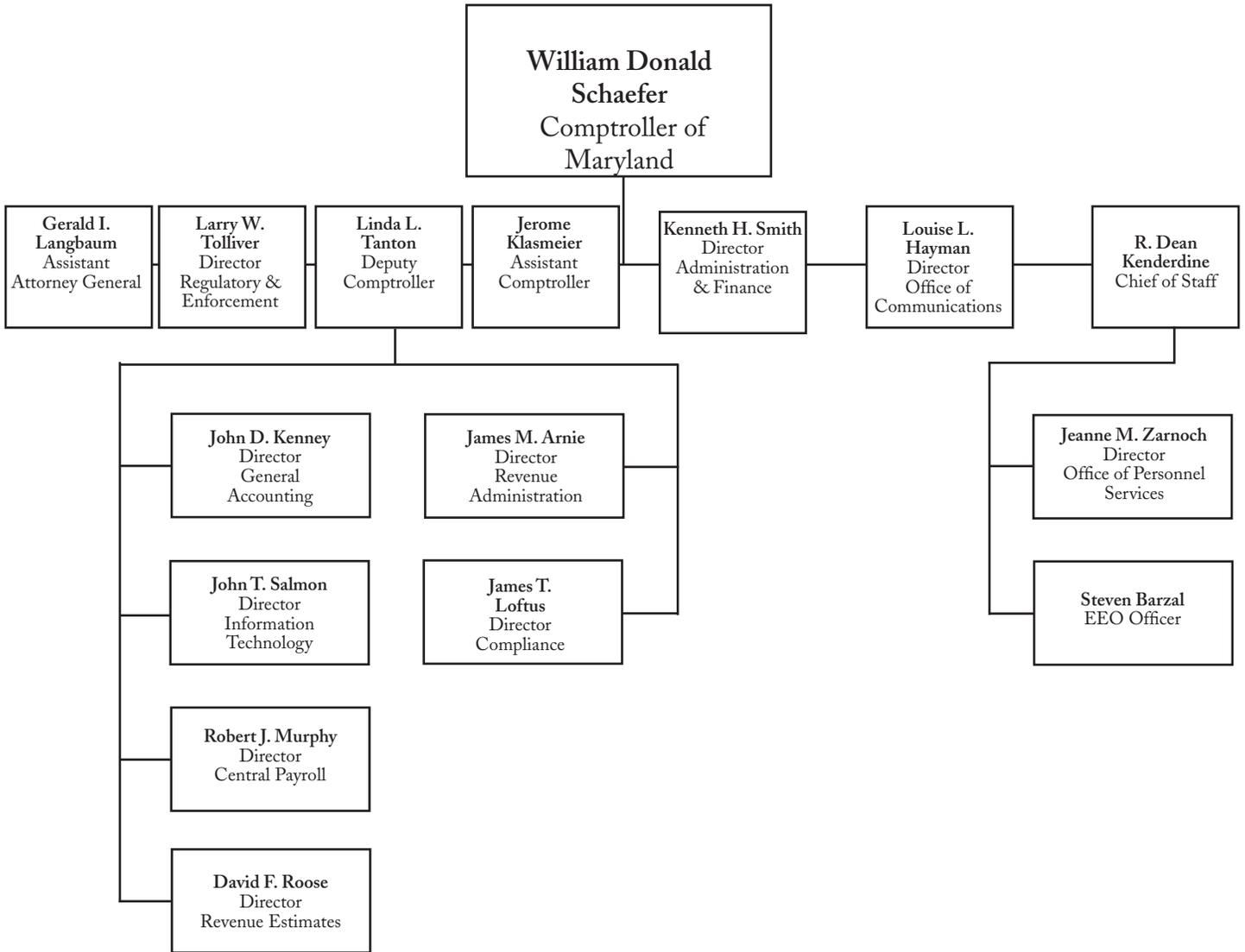
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## A BRIEF HISTORY OF THE COMPTROLLER OF MARYLAND

The Maryland state constitution of 1867 (Article VI, Section 2) describes the duties and responsibilities of the Office of the Comptroller stating that: *“The Comptroller shall have the general superintendence of the fiscal affairs of the State... prepare plans for the improvement and management of the revenue, and for the support of the public credit; prepare and report estimates of the revenue and expenditures of the State; superintend and enforce the prompt collection of all taxes and revenues, . . . preserve all public accounts.”*

This brief description encompasses one of the most important functions in state government. In collecting the bulk of Maryland’s general fund revenues; paying the state’s bills; regulating motor fuel, alcoholic beverages, and cigarettes; and providing technology services to other state agencies, the Comptroller’s Office touches the lives of many Marylanders.

# COMPTROLLER OF MARYLAND ORGANIZATIONAL CHART



# EXECUTIVE DIRECTION AND ADMINISTRATION

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## OFFICE OF THE COMPTROLLER

The Office of the Comptroller provides executive direction for the Comptroller of Maryland, including public affairs and staff support for the Comptroller and Deputy Comptroller as well as support for the Comptroller's responsibilities as a member of the Board of Public Works. Administrative support and direction for the 24 Registers of Wills is also provided by the Office of the Comptroller.

## OFFICE OF ADMINISTRATION AND FINANCE

The Office of Administration and Finance provides centralized budgeting, accounting and procurement activities for the Comptroller of Maryland. The office provides mailroom, and other administrative support services. This office also performs capital grant and loan administration as well as accounting for debt service on the state's general obligation bonds.

## OFFICE OF PERSONNEL SERVICES

The Office of Personnel Services promotes the recruitment, development, and retention of a diverse, competent, and motivated workforce that provides services to individuals, businesses, and government. The division coordinates, for all Comptroller divisions, the non-temporary and temporary employment process, agency classification and compensation issues and employee training; administers benefits such as health, retirement, special leave provisions, etc.; and provides related employee services.

# REVENUE ADMINISTRATION

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## REVENUE ADMINISTRATION DIVISION

The Revenue Administration Division processes personal, corporation, fiduciary, employer withholding, estate, admissions and amusement, sales and use, and motor fuel tax returns, tire recycling and bay restoration fee returns. All remittances received with these returns are deposited through a centralized remittance processing center.

In addition, the division is responsible for providing assistance to taxpayers, adjusting taxpayer accounts, controlling all tax processing systems, accounting for and reporting all tax revenues received, and distributing the local income tax collected on Maryland state and local income tax returns to the subdivisions of Maryland.

## BUREAU OF REVENUE ESTIMATES

The Bureau of Revenue Estimates carries on continuing studies and reviews of the economic and revenue conditions of the state and how they affect the state's revenue. The bureau serves as executive secretariat to the Board of Revenue Estimates, which is composed of the state Comptroller, State Treasurer and Secretary of Budget and Management. The bureau is also responsible for legislative duties related to tax issues.

## COMPLIANCE DIVISION

This division is responsible for business tax audits, compliance programs, delinquent tax collection, tax hearings and appeals. Additionally, the Compliance Division is responsible for administering the Uniform Disposition of Unclaimed Property Act pursuant to Title 17 of the Commercial Law Article of the Annotated Code of Maryland.

## REGULATORY AND ENFORCEMENT DIVISION

The Regulatory and Enforcement Division administers regulation, enforcement and business licensing functions for the Maryland Comptroller's Office.

The division's Field Enforcement Bureau is responsible for enforcing the state's revenue laws relating to alcoholic beverages, tobacco, motor fuels, business licenses and the sales and use tax. The Alcohol and Tobacco Tax Bureau is responsible for monitoring the manufacture, storage, transportation, sale and distribution of alcoholic beverages and tobacco in Maryland, while collecting state taxes on beer, wine, distilled spirits, cigarettes and other tobacco products. The State License Bureau is responsible for monitoring business licenses required for many Maryland business activities, including licenses for traders; amusements; auctions; chain stores; construction; dry cleaners; garages; plumbers and gas fitters; restaurants; storage warehouses; vending machines and retail/vending machines which sell cigarettes.

The division's Motor Fuel Tax Bureau licenses and regulates motor fuel dealers (i.e., anyone bringing petroleum products into Maryland for a first sale), all motor fuel resellers and all motor fuel users with bulk storage. It registers and licenses interstate motor carriers based in Maryland under the International Fuel Tax Agreement (IFTA), and it registers petroleum transporters operating in and through Maryland. The bureau manages the collection of motor fuel taxes from licensed dealers and resellers and collects road use taxes from interstate motor carriers.

# FINANCIAL CONTROL

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## GENERAL ACCOUNTING DIVISION

The General Accounting Division sets statewide accounting policy, maintains the state's general ledger and other official accounting records, which account for all state funds; exercises overall appropriation control; audits all disbursements; approves warrants for all money paid into or out of the treasury; and countersigns and distributes all vendor checks. Furthermore, the Division promulgates general guidance on matters concerning internal control; prepares the state's comprehensive annual financial reports and certain other financial reports and manages the contract for the audit of the state's annual financial report and the audit of all federal grants to the state.

## CENTRAL PAYROLL BUREAU

The Central Payroll Bureau pays biweekly salaries to all state employees of the legislative, judicial and executive branches as well as the University of Maryland System. Special Payments for services of employees hired on a contractual basis are also paid through this system.

The Central Payroll Bureau provides timely payroll services to state employees, agency payroll offices and other partners through payment of wages, direct deposit services, and electronic data exchanges by the authorizing of payroll charges to agency budgets. The Bureau oversees payments of payroll taxes, subsidies, garnishments, dependent support payments, retirement and pension deductions and more than 120 other payroll deductions. The Bureau maintains a Web site that provides current payroll instructions and schedules, as well as interactive payroll documents and a net pay calculator.

# TECHNICAL SERVICES

## INFORMATION TECHNOLOGY DIVISION

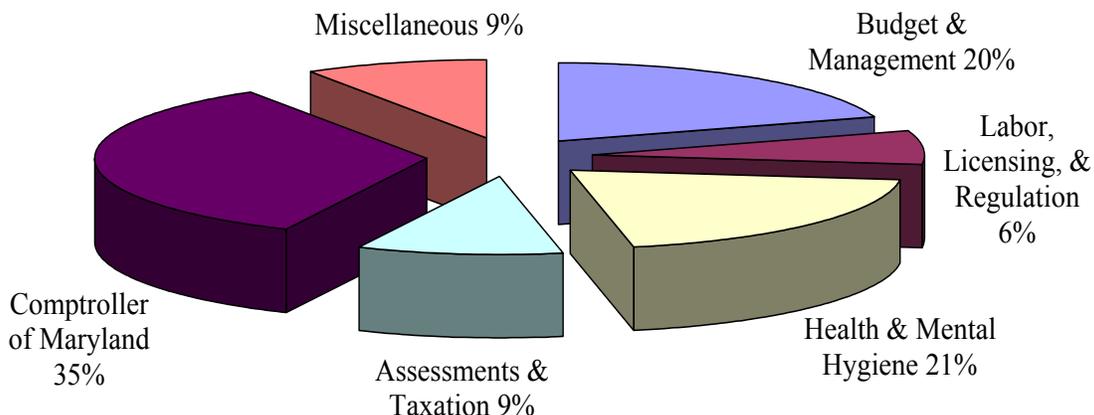
The Information Technology Division (ITD) is comprised of two programs: Comptroller IT Services and Annapolis Data Center (ADC) Operations

The Information Technology Division - Comptroller IT Services is responsible for the overall management and direction of the Information Technology efforts of the Comptroller of Maryland. This program supports the automated mainframe computer applications and Web development initiatives of the Comptroller's Office. This program also provides Information Technology Services to the Registers of Wills offices throughout the State.

This program provides the technical expertise to analyze, design, develop, implement and maintain the information technology solutions that support the business needs of the Comptroller of Maryland and provides enhanced services to Maryland taxpayers. The skills used to provide these services cover a broad range including systems analysis, project planning, programming, project management and ongoing production support.

The Information Technology Division - Annapolis Data Center Operations provides mainframe computer services for its parent agency, the Comptroller of Maryland, as well as many other State agencies. The ADC's operational costs are fully reimbursed from its customers via charges for computer usage and services rendered.

The ADC is the largest of the five mainframe data centers in the Maryland State government. Some of the applications supported by the ADC include the Maryland State Integrated Tax (SMART) System, the State Payroll System, the Maryland State Financial Management and Information System (FMIS), and Medicaid.



REVENUES COLLECTED BY  
THE  
COMPTROLLER'S OFFICE

# REVENUES COLLECTED BY THE COMPTROLLER'S OFFICE

## STATE AND LOCAL REVENUES COLLECTED BY THE COMPTROLLER'S OFFICE BY SOURCE AND FUND

(Dollars in Thousands)

The Comptroller's Office collects revenue on behalf of both the state and local governments. The \$11.7 billion in state receipts collected by the Comptroller's Office in fiscal year 2006 represents 44.6 percent of the \$26.1 billion in total state revenues received.

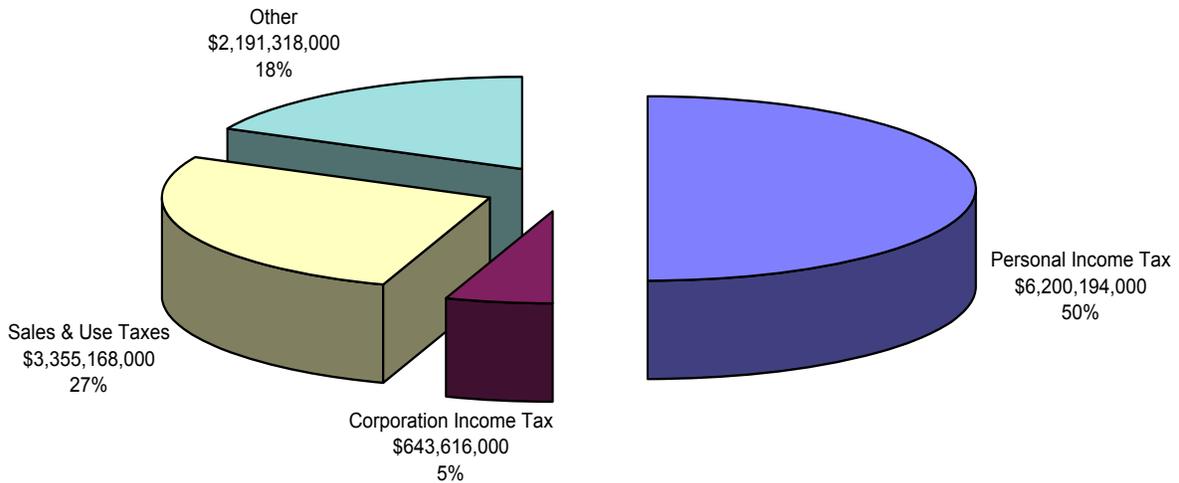
	FY 2006				FY 2005 Total
	General	State Special	Local	Total	
Personal Income Tax	\$ 6,200,194	\$ -	\$ 4,041,150	\$ 10,241,344	\$ 9,359,118
Corporation Income Tax	643,616	203,247	-	846,863	872,738
Sales and Use Tax	3,355,168	26,527	-	3,381,695	3,153,676
Motor Fuel Tax	13,207	744,752	-	757,959	752,872
Alcohol Taxes	27,954	-	-	27,954	27,341
Tobacco Taxes	13,664	-	-	13,664	276,044
Estate Tax	171,503	-	-	171,503	137,467
Admissions and Amusement Tax	-	1,314	61,709	63,023	59,739
Environmental Surcharge on Electricity	-	8,095	-	8,095	9,385
Emergency Telephone System Surcharge (911 Fee)	-	58,412	-	58,412	53,580
Electric Universal Service Program Surcharge	-	33,554	-	33,554	32,360
Unclaimed Property	85,429	4,166	-	89,594	159,384
Telecommunications Access Surcharge	-	7,177	-	7,177	7,278
Tire Recycling Fee	-	3,803	-	3,803	2,258
Bay Restoration Fee	-	66,394	-	66,394	7,523
Miscellaneous	5,273	-	-	5,273	1,115
<b>Total</b>	<b>\$ 10,516,007</b>	<b>\$ 1,157,440</b>	<b>\$ 4,102,859</b>	<b>\$ 15,776,306</b>	<b>\$ 14,911,876</b>

( ) denotes decrease

Detail may not add to total due to rounding

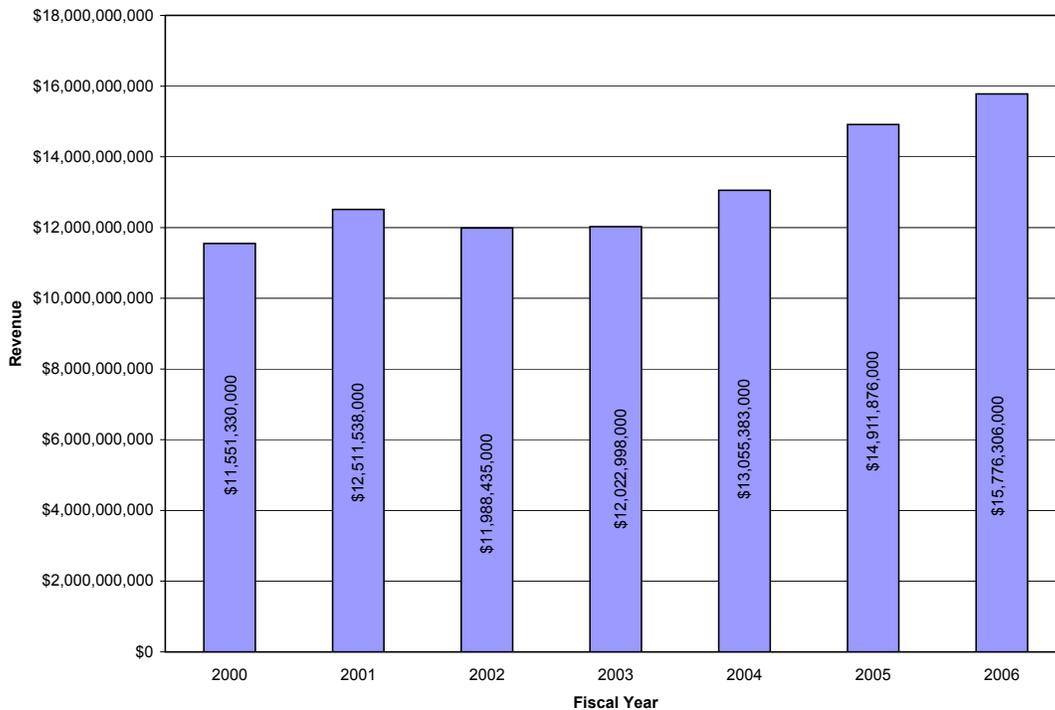
## GENERAL FUND REVENUE COLLECTIONS

During fiscal year 2006, the Comptroller's Office collected 85 cents of every revenue dollar (exclusive of interfund transfers deposited into the state's general fund). The following chart shows the principal sources of general fund revenues.



## STATE AND LOCAL REVENUES COLLECTED BY THE COMPTROLLER'S OFFICE

In fiscal year 2000, the Comptroller's Office collected \$11.6 billion in state and local revenues. In fiscal year 2006, these collections amounted to \$15.8 billion - an average annual increase of 5.33 percent. The following chart shows the annual amounts collected.



# REVENUES ADMINISTERED

Revenue Source	Rate (As of July 1, 2006)	Description
State Personal Income Tax	2% 1 <sup>st</sup> \$1,000; 3% 2 <sup>nd</sup> \$1,000; 4% 3 <sup>rd</sup> \$1,000; and 4.75% \$3,001 and over	Annual tax imposed upon individuals and fiduciaries as a percentage of Maryland taxable income (federal adjustable gross income with Maryland modifications).
Corporation Income Tax	7%	Annual tax on the net income of the corporation apportioned and allocated to Maryland.
County (Local) Income Tax	A minimum of 1% and a maximum of 3.20% of net taxable income	A tax imposed on resident individuals, certain nonresident individuals and fiduciaries by the 23 counties and Baltimore City. Each county sets its rate as a percentage of net taxable income.
Special Nonresident Tax	1.25%	A tax imposed on the Maryland taxable income of certain nonresident individuals.
Sales and Use Tax	5% tax levied on bracketed rate structure	A tax imposed on the sale or use of tangible personal property and certain enumerated services.
Admissions and Amusement Tax	Maximum 10% rate	A tax imposed by counties, incorporated cities towns on certain enumerated admissions and amusement charges.
Unclaimed Property	Actual value of property	Bank accounts, stock certificates and dividends, security deposits, payroll checks, insurance proceeds, etc., are presumed abandoned if without activity for a specified period. The property is turned over to the state by the holders.
Bay Restoration Fee	Per dwelling unit per month: Up to 3,000 units \$2.50 3,000 to 5,000 units \$1.25 5,000 units and over No fee	A monthly fee collected by local governments and wastewater disposal facilities for each dwelling unit; monies paid into the Bay Restoration Fund.
Environmental Surcharge on Electricity	Not to exceed the lesser of: .15 mill per kilowatt hour or \$1,000 per month	Environmental surcharge for each kilowatt hour of electric energy distributed to retail electric customers in Maryland; monies paid into the Environmental Trust Fund.

Revenue Source	Rate (As of July 1, 2006)	Description
Emergency Telephone System Fee	\$.25 per month paid by each subscriber; counties can charge up to an additional \$.75 per subscriber per month	Created to provide grants to the counties to finance installation of a 911 system on a statewide basis and to provide grants to finance enhancements to existing systems.
Electric Universal Service Surcharge	\$.37 per month for residential; \$.37 to \$4,081.50 per month for non-residential based on annual electric bill	Charge paid by customers to public utilities to provide electric service to low-income Maryland customers. The Comptroller collects these revenues from the utility companies and distributes
Estate Tax	Unused federal credit	Imposed upon the transfer of a Maryland estate. Calculated as the amount by which the federal state death tax credit (as of 12/31/01) exceeds the total of Maryland inheritance taxes and taxes imposed by other states on property included in the Maryland estate. Regardless of the federal unified credit amount, the Maryland return must be calculated using a federal unified credit equal to an exclusion of \$1 million; for this reason the filing of a Maryland return may be required even when a federal return is not required.
Telecommunications Access Surcharge	\$.20 per month paid by	A tax imposed on telephone subscribers in Maryland to provide telephone service to hearing and speech impaired citizens.
Tire Recycling Fee	\$.80 per new tire	A fee imposed on each new tire. The fee applies to the first sale of a tire in Maryland which is not a sale to a wholesaler.
Alcoholic Beverages Taxes	<i>Per Gallon:</i> Distilled Spirits \$1.50 Wine \$ .40 Beer \$ .09	Wholesale tax on wine and distilled spirits reported monthly based on sales to retailers. Nonresident supplier, or wholesaler who self-imports beer, remits beer tax prior to entry into state.
Alcoholic Beverages Manufacturer's Licenses	Distillery \$2,000 Rectifying Plant \$ 600 Winery \$ 750 Limited Winery \$ 200 Brewery \$1,500 Pub-Brewery \$ 500 Micro-Brewery \$ 500	Annual license fee imposed to operate a distillery, rectifying plant, brewery or winery; pub-brewery and micro-brewery licenses are issued to holders of Class "B" retail licenses under certain conditions.
Alcoholic Beverages Wholesale Licenses	Beer, Wine, Liquor \$2,000 Wine & Liquor \$1,750 Beer & Wine \$1,500 Beer \$1,250 Wine \$1,250	Annual license fee authorizes holder to receive product from licensees and holders of nonresident dealer permits and to make sale and delivery of product to businesses and permit holders in Maryland and persons outside this state.
Alcoholic Beverages Licenses	Airplane Beer, Wine, Liquor \$200 Railroad Beer, Wine, Liquor \$200 Water Vessel Beer, Wine, Liquor \$150 Statewide Caterer's Beer, Wine, Liquor \$250-\$2,000	Annual license fee imposed to dispense alcohol beverages aboard airplanes, in rail cars, and on water vessels hired for the transportation of passengers. The Statewide Caterer's License (SCAT) permits the sale and storage of entities which operate in more than one subdivision. The SCAT license may be general or limited.

Revenue Source	Rate (As of July 1, 2006)	Description
Alcoholic Beverages Permits	Ranges from \$2 - \$500	A variety of permits are issued authorizing the sale, shipment, transport, storage and solicitation of alcoholic beverages.
Cigarette Tax	\$1.00 per pack of 20 cigarettes; \$.05 per each cigarette in packages of more than 20	Wholesalers pay tax by purchasing tax stamps which are affixed to all packages of cigarettes before sale at retail.
Tobacco Licenses	Manufacturer \$ 25 Wholesaler \$750 Sub-Wholesaler \$500 Vendor \$500 Storage Warehouse \$ 25	Annual license fee imposed upon various dealers and handlers of cigarettes.
Other Tobacco Products	15% of the wholesale price	Tax is paid by wholesaler who sells other tobacco products (excludes cigarettes) to a retailer or consumer in the state. If tax is not paid by wholesaler, tax liability reverts to retailer or consumer.
Motor Fuel Tax	\$.235 per gallon \$.2425 per gallon \$.235 per gallon	Tax on all gasoline used as a motor fuel. Tax on special fuels (diesel/kerosene) other than clean-burning fuels used as a motor fuel. Tax on clean-burning fuels used as a motor fuel.
Aviation Fuel Tax	\$.07 per gallon	Tax on motor fuel used to power aircraft not operated for common carriage or by government entities.
Motor Carrier Tax	\$.2425 per gallon for special fuels (diesel/kerosene) other than clean-burning fuels; \$.235 per gallon for gasoline and clean-burning fuels	Tax on motor carriers who operate commercial motor vehicles on Maryland highways.
IFTA Motor Carrier	Decal fee eliminated	Annual IFTA license and identification markers are required effective January 1, 2001 for all commercial motor vehicles operated by Maryland-based interstate motor carriers in Maryland and at least one other IFTA jurisdiction.
IFTA Fuel Trip Permit	\$42 per permit	Temporary 15-day permit fee in lieu of IFTA License.

For additional information on the calculation of taxes and the aforementioned fees including exemptions and credits, visit [www.marylandtaxes.com](http://www.marylandtaxes.com).

# PERSONAL INCOME TAX

During Fiscal Year 2006, the Comptroller's Office collected \$12.1 billion in state and local income tax payments and refunded \$1.9 billion to individual income taxpayers. The Comptroller's Office also collects and distributes the local income tax for Maryland subdivisions.

Table 1 reflects the gross collections and net revenues for the general fund. Table 2 displays the distribution of income tax revenue to Baltimore City, Maryland's 23 counties and the incorporated towns, and special taxing districts within those counties.

TABLE 1  
PERSONAL INCOME TAX  
FISCAL YEAR 2006

	Gross Revenues	Less					Net amount to the General Fund
		Refunds	Reserve for Subdivisions	Chesapeake Bay and Endangered Species Fund	Fair Campaign Fund	Maryland Cancer Fund	
Personal income tax	\$11,209,755,488	\$1,885,008,056	\$4,011,637,137	\$1,179,916	\$120,490	\$454,213	\$5,311,355,676
Personal estimated tax payments not claimed on returns	\$77,957,070						\$77,957,070
Employer withholding tax payments not claimed on returns	\$765,035,640	\$6,526,894					\$758,508,746
Fiduciary income tax	\$112,894,285	\$13,250,484	\$29,512,696	\$265	\$184	\$537	\$70,130,119
Fiduciary estimated tax payments not claimed on returns	(\$24,953,634)						(\$24,953,634)
Unidentified tax payments	\$7,203,702	\$7,907					\$7,195,795
<b>Total</b>	<b>\$12,147,892,551</b>	<b>\$1,904,793,341</b>	<b>\$4,041,149,833</b>	<b>\$1,180,181</b>	<b>\$120,674</b>	<b>\$454,750</b>	<b>\$6,200,193,772</b>

TABLE 2  
DISTRIBUTION OF LOCAL INCOME TAX RECEIPTS  
FISCAL YEAR 2006

*(Dollars in Thousands)*

County	Distribution to Cities & Towns	Distributions to Counties	Total Distributions
<b>Allegany</b>	\$ 2,416	\$ 21,527	\$ 23,943
<b>Anne Arundel</b>	4,455	327,558	332,013
<b>Baltimore</b>	-	545,982	545,982
<b>Calvert</b>	694	55,639	56,333
<b>Caroline</b>	571	10,507	11,078
<b>Carroll</b>	4,029	107,793	111,822
<b>Cecil</b>	1,851	43,791	45,642
<b>Charles</b>	1,140	78,796	79,936
<b>Dorchester</b>	622	10,120	10,742
<b>Frederick</b>	8,231	144,202	152,433
<b>Garrett</b>	363	9,566	9,929
<b>Harford</b>	3,033	153,341	156,374
<b>Howard</b>	-	283,005	283,005
<b>Kent</b>	618	10,161	10,779
<b>Montgomery</b>	27,929	1,045,517	1,073,446
<b>Prince George's</b>	18,000	397,578	415,578
<b>Queen Anne's</b>	404	30,721	31,125
<b>St. Mary's</b>	252	57,183	57,435
<b>Somerset</b>	215	5,678	5,893
<b>Talbot</b>	1,516	23,521	25,037
<b>Washington</b>	3,096	61,235	64,331
<b>Wicomico</b>	2,134	43,113	45,247
<b>Worcester</b>	1,531	12,593	14,124
<b>Baltimore City</b>	-	221,800	221,800
<b>Total</b>	<u>\$ 83,100</u>	<u>\$ 3,700,927</u>	<u>\$ 3,784,027</u>

Detail may not add to total due to rounding.

# CORPORATION INCOME TAX

During fiscal year 2006, the Revenue Administration Division collected \$846.9 million in corporation income tax revenues. The revenues from Maryland's corporation income tax are allocated between the general fund and various transportation programs on the basis of a complex formula. The following table lists the revenues that were distributed to each of the various funds during fiscal year 2006.

## Allocation of Corporation Income Tax Receipts (Dollars in Thousands)

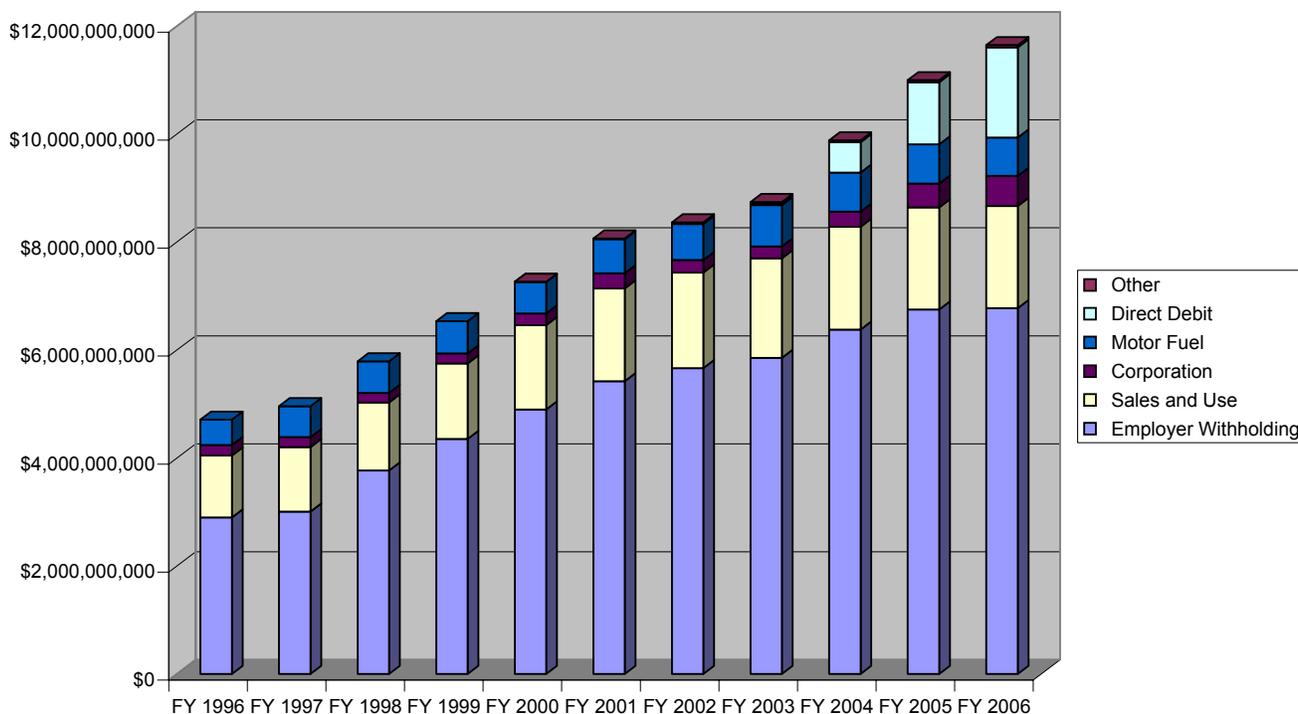
General Fund	\$643,616
Special Fund:	
Distribution to Gasoline and Motor Vehicle Revenue Account	203,247
<b>Total</b>	<b>\$846,863</b>

Revenues from the gasoline and motor vehicle revenue account are distributed among the Department of Transportation and local governments as specified in Sections 8-402 and 8-403 of the Transportation Article.

Note: Fiscal year 2005 revenues include \$198,740,984 (\$207,784,377 less \$9,043,393 in refunds related to the Comptroller's settlement offer) collected from the legislatively-mandated Delaware holding company settlement, of which \$151,043,148 went to the general fund and \$47,697,836 to the Transportation Trust Fund.

Fiscal year 2006 revenues include \$26,832,319 (\$20,392,562 general fund and \$6,439,757 special fund) from a settlement with MCI.

## TAXES PAID BY ELECTRONIC FUNDS TRANSFER



## SALES AND USE TAX

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During fiscal year 2006, the Comptroller's Office collected \$3.38 billion in net sales and use tax receipts. Tax collections totaled \$3.39 billion, and refunds totaled \$12.1 million. The taxable food and beverage group produced the largest amount of revenue (\$664.7 million), followed by the general merchandise group (\$601.4 million). The building and industrial supplies category produced the third largest amount (\$530.2 million).

Among the State's geographic regions, Baltimore County generated the most revenue (\$482.7 million), followed by Montgomery County (\$448.7 million), Prince George's County (\$411.3 million), Anne Arundel County (\$296.4 million) and Baltimore City (\$285.2 million).

Table 3 represents a two-year comparison of sales and use tax revenue by county. Table 4 presents sales and use tax collections by county and principal type of business for fiscal year 2006.

TABLE 3  
SALES AND USE TAX RECEIPTS BY COUNTY

*(Dollars in Thousands)*

	F.Y. 2006	F.Y. 2005	% Change	% of FY 2006 Total
Allegany	\$ 33,746	\$ 32,606	3.50	0.99
Anne Arundel	296,446	285,453	3.85	8.73
Baltimore City	285,213	268,442	6.25	8.40
Baltimore	482,737	462,331	4.41	14.22
Calvert	25,769	23,703	8.72	0.76
Caroline	6,358	6,074	4.68	0.19
Carroll	83,416	77,345	7.85	2.46
Cecil	28,179	26,170	7.68	0.83
Charles	84,523	79,016	6.97	2.49
Dorchester	12,614	12,030	4.85	0.37
Frederick	128,721	123,295	4.40	3.79
Garrett	15,180	14,317	6.03	0.45
Harford	106,050	98,543	7.62	3.12
Howard	151,835	140,841	7.81	4.47
Kent	9,919	8,945	10.89	0.29
Montgomery	448,734	426,649	5.18	13.22
Prince George's	411,268	385,415	6.71	12.11
Queen Anne's	17,765	16,313	8.90	0.52
St. Mary's	41,682	36,425	14.43	1.23
Somerset	3,181	3,118	2.02	0.09
Talbot	32,158	29,104	10.49	0.95
Washington	86,297	83,033	3.93	2.54
Wicomico	76,160	68,168	11.72	2.24
Worcester	61,240	57,359	6.77	1.80
District of Columbia	32,189	65,370	(50.76)	0.95
Other/Out-of-State Vendors	433,525	349,199	24.15	12.77
Total Gross Receipts	\$ 3,394,905	\$ 3,179,264	6.78	100.00
Less: Refunds	(12,091)	(25,588)	(52.75)	
Total Net Receipts	3,382,814	3,153,676	7.27	
Less: Distribution to TTF	(26,527)	(24,323)	9.06	
Net After Distribution to TTF*	\$ 3,356,288	\$ 3,129,353	7.25	

\*Unlike earlier reports, this amount will be slightly different from reported general fund collections for fiscal year 2006 due to a change in return processing methodology.

Detail may not add to total due to rounding.

TABLE 4  
SALES AND USE TAX GROSS RECEIPTS BY COUNTY AND PRINCIPAL TYPE OF  
BUSINESS FOR FISCAL YEAR 2006

*(Dollars in Thousands)*

County	Food & Beverage	Apparel	General Merchandise	Automotive	Furniture & Appliances
Allegany	\$ 8,861	\$ 1,796	\$ 7,783	\$ 2,786	\$ 1,809
Anne Arundel	73,803	17,728	52,718	27,077	26,046
Baltimore City	66,382	13,822	25,676	16,709	15,627
Baltimore	94,808	29,996	101,693	34,255	48,095
Calvert	7,611	515	4,209	1,928	1,183
Caroline	1,972	104	408	1,074	97
Carroll	16,313	2,173	21,807	4,973	5,045
Cecil	9,775	1,141	6,983	2,873	769
Charles	15,958	4,090	21,891	6,430	6,158
Dorchester	2,972	97	2,882	636	451
Frederick	24,652	3,598	24,356	7,892	8,333
Garrett	3,421	68	4,016	1,463	633
Harford	23,582	3,977	25,270	9190	6989
Howard	33,380	8,216	27,857	10,756	15,625
Kent	2,393	131	1,464	633	218
Montgomery	108,829	27,776	78,107	33,987	42,563
Prince George's	80,653	21,557	76,667	34,540	41146
Queen Anne's	5,703	2,531	2,096	1417	742
St. Mary's	9,711	792	11,597	4,933	1,702
Somerset	1,227	-	392	610	113
Talbot	6,933	651	5,669	2,373	1,989
Washington	18,204	5,107	22,266	6,343	6,975
Wicomico	11,806	3,375	18,850	4816	3,563
Worcester	24,250	2,837	9,224	1,972	1,967
District of Columbia	208	336	3,662	29	6,966
Other/Out-Of-State Vendors	11,249	6,425	43,888	11,059	135,837
<b>Total</b>	<b>\$ 664,656</b>	<b>\$ 158,839</b>	<b>\$ 601,431</b>	<b>\$ 230,754</b>	<b>\$ 380,641</b>

Detail may not add to total due to rounding.

TABLE 4  
SALES AND USE TAX GROSS RECEIPTS BY COUNTY AND PRINCIPAL TYPE OF  
BUSINESS FOR FISCAL YEAR 2006

*(Dollars in Thousands)*

	<b>Building &amp; Industrial Supplies</b>	<b>Utilities &amp; Transportation</b>	<b>Hardware, Machinery &amp; Equipment</b>	<b>Miscellaneous</b>	<b>Assessment Collections</b>	<b>Total Collections</b>
Allegany	\$ 4,427	\$ 2,751	\$ 1,131	\$ 2,236	\$ 166	\$ 33,746
Anne Arundel	38,313	13,068	8,679	37,735	1,279	296,446
Baltimore City	37,033	54,531	7,412	44,435	3,586	285,213
Baltimore	70,053	42,647	9,330	49,327	2,533	482,737
Calvert	3,899	2,324	1,471	2,484	145	25,769
Caroline	864	548	312	979	-	6,358
Carroll	19,935	3,259	2,563	7,047	301	83,416
Cecil	3,584	79	726	2,196	53	28,179
Charles	15,668	6,579	1,711	5,823	215	84,523
Dorchester	1,915	828	413	2,406	14	12,614
Frederick	27,829	14,191	3,155	14,173	542	128,721
Garrett	1,875	733	476	2,487	8	15,180
Harford	21,911	3,958	2,571	8,237	365	106,050
Howard	18,657	6,688	4,463	25,538	655	151,835
Kent	1,942	799	1,133	1,184	22	9,919
Montgomery	53,115	34,551	6,295	61,388	2,123	448,734
Prince George's	76,331	22,780	10,932	40,213	6,449	411,268
Queen Anne's	1,813	985	544	1,822	112	17,765
St. Mary's	5,745	2,422	1,085	3,496	199	41,682
Somerset	269	11	91	462	6	3,181
Talbot	8,035	2,775	931	2,760	42	32,158
Washington	12,601	3,774	1,623	8,902	502	86,297
Wicomico	10,167	14,203	2,757	6,475	148	76,160
Worcester	6,960	547	295	12,724	464	61,240
District of Columbia	5,222	9,338	567	5,831	30	32,189
Other/Out-Of-State Vendors	82,050	40,291	18,086	81,340	3,300	433,525
<b>Total</b>	<b>\$ 530,213</b>	<b>\$ 284,660</b>	<b>\$ 88,752</b>	<b>\$ 431,700</b>	<b>\$ 23,259</b>	<b>\$ 3,394,905</b>

Detail may not add to total due to rounding.

# ADMISSIONS AND AMUSEMENT TAX

The Comptroller's Office is also responsible for administering, collecting, and distributing the admissions and amusement tax revenues to the counties and incorporated cities and towns in Maryland. The table below lists the net receipts and amounts distributed to counties (including municipalities within the counties) for fiscal year 2006.

TABLE 5  
ADMISSIONS AND AMUSEMENT TAX RECEIPTS AND DISTRIBUTIONS  
(Dollars in Thousands)

County	Net Receipts	Administrative Expense	Total Distributed
Allegany	\$ 224	\$ 5	\$ 219
Anne Arundel	7,726	178	7,548
Baltimore City	8,746	184	8,562
Baltimore	6,851	154	6,697
Calvert	608	13	595
Caroline	5	-	5
Carroll	757	16	741
Cecil	343	7	336
Charles	799	19	780
Dorchester	122	3	119
Frederick	1,426	32	1,394
Garrett	600	14	586
Harford	848	18	830
Howard	1,953	42	1,911
Kent	65	1	64
Montgomery	4,546	103	4,443
Prince George's	15,426	284	15,142
Queen Anne's	263	6	257
St. Mary's	124	3	121
Somerset	29	1	28
Talbot	115	2	113
Washington	601	13	588
Wicomico	532	12	520
Worcester	1,811	33	1,778
MD Stadium Authority	8,503	171	8,332
<b>Total</b>	<b>\$ 63,023</b>	<b>\$ 1,314</b>	<b>\$ 61,709</b>

\* Denotes less than \$500  
Detail may not add to total due to rounding.

# UNCLAIMED PROPERTY RECEIPTS

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The Comptroller's Office is responsible for administering the Uniform Disposition of Unclaimed Property Act. It is responsible for the care, custody, and control of all tangible property presumed abandoned or unclaimed. The value of the property may be claimed by its rightful owner at any time subsequent to this distribution.

The table below presents an analysis of collections and distributions of unclaimed property receipts during fiscal year 2006.

TABLE 6

## UNCLAIMED PROPERTY RECEIPTS AND DISTRIBUTIONS

*(Dollars in Thousands)*

### Sources of Net Revenues from Miscellaneous Unclaimed Property:

Life Insurance	\$	2,983
Other Insurance		3,333
Public Utilities		538
Corporations		62,214
Fiduciaries, Trustees and Other		6,230
Government Agencies		4,012
Banks and Financial Organizations		9,777
Nursing Homes		508
Total Net Revenues	\$	89,594

### Allocation of Net Revenues:

Administrative Expenses	\$	3,666
Distributed to Maryland Legal Services Corporation		500
Transferred to General Fund		85,429
Total Net Revenues	\$	89,594

Note: Legislation enacted in 2003 reduced the holding period for unclaimed property from five to four years, and from four to three years one year later. Effective for property presumed abandoned for reporting periods ending on or after June 30, 2002.

Detail may not add to total due to rounding.

# ALCOHOL AND TOBACCO TAXES

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During fiscal year 2006, the Comptroller's Office collected \$309.6 million in alcohol and tobacco tax revenues for the state General Fund.

Table 7 presents a two-year comparison of alcohol and tobacco tax revenue.

TABLE 7  
COMPARISON OF ALCOHOL AND TOBACCO REVENUE  
*(Dollars in Thousands)*

	<b>FY 2006</b>	<b>FY 2005</b>	<b>% Change</b>
Distilled Spirits Tax	\$ 13,664	\$ 13,168	3.77
Wine Tax	4,865	4,805	1.25
Beer Tax	9,425	9,368	0.61
Tobacco Tax	280,509	276,044	1.62
Other Receipts	1,108	1,115	(0.63)
Total Net Receipts	<u>\$ 309,571</u>	<u>\$ 304,500</u>	1.67

( ) denotes decrease

Detail may not add to total due to rounding

## MOTOR FUEL TAXES

During fiscal year 2006, the Comptroller's Office collected \$758.0 million in motor fuel tax revenues. Table 8 presents a two-year comparison of motor fuel tax receipts.

TABLE 8  
MOTOR FUEL TAX RECEIPTS

*(Dollars in Thousands)*

	FY 2006	FY 2005	% Change
Dealer Receipts	\$ 635,468	\$ 634,127	0.21
Special Fuels Receipts	127,257	115,073	10.59
Sellers of Jet Fuel & Aviation	995	894	11.36
Motor Carrier Temporary Permits	135	118	14.43
Miscellaneous Revenues	338	255	32.48
Refunds	(17,282)	(8,200)	110.76
	<hr/>	<hr/>	
Net Revenues Subtotal	\$ 746,911	\$ 742,267	0.63
IFTA Collections	17,206	16,281	5.68
IFTA Refunds	(6,158)	(5,677)	8.48
	<hr/>	<hr/>	
Net Revenues	\$ 757,959	\$ 752,872	0.68

( ) denotes decrease

Net motor fuel tax revenues are distributed among the general fund and selected special funds on the basis of a statutory formula. The following table presents the revenues that were distributed to each of the various funds during fiscal year 2006.

TABLE 9  
DISTRIBUTION OF MOTOR FUEL TAX REVENUES

*(Dollars in Thousands)*

Administrative Expenses	\$ 7,336
Waterways Improvement Fund	1,723
Fisheries Research and Development Fund	1,723
General Fund for Chesapeake Bay Related Programs	13,207
Gasoline and Motor Vehicle Revenue Account of the Transportation Trust Fund	732,905
Counties, Baltimore City, and Municipalities (30%)	\$ 219,871
Department of Transportation (70%)	513,033
Transportation Trust Fund (Aviation)	<hr/> 1,067
Total	\$ 757,959

Detail may not add to total due to rounding

# GROSS MOTOR FUEL GALLONAGE REVENUE STATEMENT

TABLE 10  
GROSS MOTOR FUEL GALLONAGE & REVENUE STATEMENT  
FISCAL YEAR 2006

(Dollars in Thousands)

	<b>Actual Gallons</b>	
Gross Gallons Reported	3,223,646,404	
Less Adjustments:		
Temperature & stock adjustments	3,240,903	
Federal exempt purchases	2,141,616	
Cost of collection allowance	21,011,340	
Less total adjustments	<u>26,393,859</u>	
Total taxable motor fuel gallons:	<u><u>3,197,252,545</u></u>	
	<b>Actual Gallons</b>	<b>Revenue</b>
Motor vehicle fuel dealers	2,687,845,483	\$ 635,468 *
Special fuel	509,407,062	\$ 127,257 *
Total taxable gallons sold:	<u>3,197,252,545</u>	<u>\$ 762,725</u>
Sellers of jet fuel and aviation		\$ 995
Motor carrier collections:		
Motor carrier permits	\$ 135	
IFTA Taxes- MD based carriers	2,868	
IFTA Taxes- from other jurisdictions	13,959	
IFTA Tax assessments	<u>379</u>	
Total motor carrier collections		17,341
Penalties and interest		338
Dishonored check fee		-
Canadian exchange		-
Total gross revenue		<u><u>\$ 781,399</u></u>

\*Modified accrual basis of accounting

Detail may not add to total due to rounding

## OTHER REVENUES COLLECTED

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### ENVIRONMENTAL SURCHARGE ON ELECTRICITY

The Comptroller's Office also collects and distributes to the Environmental Trust Fund revenue collected from the environmental surcharge on electricity delivered in Maryland. This revenue is used to fund the Department of Natural Resources' Power Plant and Environmental Review Division and the Chesapeake Bay Research and Monitoring Division. During fiscal year 2006, \$8.1 million was collected from this revenue source.

### EMERGENCY TELEPHONE SYSTEM SURCHARGE (911 FEE)

The Comptroller's Office collects the emergency telephone system surcharge. This revenue is used to fund local emergency 911 telephone systems. During fiscal year 2006, \$58.4 million was collected from this revenue source.

### TELECOMMUNICATIONS ACCESS SURCHARGE

The Comptroller's Office collects the telecommunications access surcharge. This revenue is used to provide telephone service to the hearing and speech impaired citizens of Maryland. During fiscal year 2006, \$7.2 million was collected from this revenue source.

### TIRE RECYCLING FEE

The Comptroller's Office is responsible for collecting the tire recycling fee. The proceeds go to a special fund administered by the Department of the Environment for scrap tire removal and recycling. During fiscal year 2006, \$3.8 million was collected from this revenue source.

### ESTATE TAX

The Comptroller's Office collects the estate tax from the executors and administrators of Maryland-situs estates. During fiscal year 2006, \$171.5 million was collected from this source and deposited into the general fund.

### ELECTRIC UNIVERSAL SERVICE SURCHARGE

The Comptroller's Office collects revenue from public utilities that are deposited into the Universal Service Program Fund. Public utilities collect the surcharge from their customers. The program was established under Chapter 4, Acts of 1999 (House Bill 703) to assist low income Maryland electric customers with their bills. During fiscal year 2006, \$33.6 million was collected and transferred to the Department of Human Resources, which administers the program.

### BAY RESTORATION FEE

The Comptroller's Office collects revenue from the billing authorities of local governments and facilities that provide wastewater disposal services to Maryland residents and businesses. This revenue is deposited into the Bay Restoration Fund, which was established under Chapter 428, Acts of 2004. During fiscal year 2006, \$66.4 million was collected from the fee which will be used to upgrade Maryland's wastewater treatment plants and to fund cover crop activities under a water quality costs share program administered by the Department of Agriculture.

# LEGISLATION ENACTED IN 2006

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## INCOME TAX

### **Senate Bill 22 (Chapter 226) – Subtraction Modification for Military Retirement Income**

Expands the current subtraction modification by increasing the maximum subtraction from \$2,500 to \$5,000 of military retirement income, removing both the age and income restrictions, and defining military service to include: induction into the armed forces of the United States for training and service under the Selective Training and Service Act of 1940 or a subsequent Act of similar nature; membership in a reserve component of the armed forces of the United States; membership in an active component of the armed forces of the United States; membership in the Maryland National Guard; or for individuals retiring on or after July 1, 1991, active duty with the commissioned corps of the Public Health Service, the National Oceanic and Atmospheric Administration, or the Coast and Geodetic Survey. The law change also prohibits the use of income subtracted under this provision in the calculation of the pension exclusion. Effective July 1, 2006, for tax years beginning after December 31, 2005.

### **Senate Bill 93 (Chapter 36) – Income Tax – Electronic Filing and Payment**

Permits an individual who files a Maryland income tax return electronically no later than April 15 of the next tax year to pay the tax due with the return by April 30 of the next tax year if the tax is paid electronically. Effective July 1, 2006.

### **Senate Bill 94 (Chapter 37) – Income Tax – Withholding – Annual Statements**

Requires an employer or payor to submit any required annual withholding statements to the Comptroller on magnetic media or in other machine-readable or electronic format that the Comptroller requires if the total number of statements of that statement type that the employer or payor is required to submit equals or exceeds 150 for calendar year 2006; 100 for a calendar year beginning after December 31, 2006; or a lower threshold applies for federal income tax purposes.

The Comptroller may waive the requirement to submit statements on magnetic media or in other machine-readable or electronic format if the Comptroller determines it will result in undue hardship to the employer or payor. Effective July 1, 2006.

### **Senate Bill 314 (Chapter 129) – Maryland Clean Energy Incentive Act**

Extends and expands the State income tax credit allowed for a facility that produces electricity using alternative resources. The facility is a qualified facility if it is originally placed in service or after January 1, 2006, but before January 1, 2011. If the facility produces electricity from a qualified energy resource that is co-fired with coal, co-firing must initially begin on or after January 1, 2006, but before January 1, 2011. The definition of “qualified energy resources” is altered and expanded to include: 1. any solid, nonhazardous, cellulosic waste material that is segregated from other waste materials and is derived from: Forest-related resources, excluding old-growth timber (mill residues, except sawdust and wood shavings, forest thinnings, slash, or brush); Waste pallets, crates, and dunnage, landscape or right-of-way trimmings; Agricultural sources (orchard tree crops, vineyard, grain, legumes, sugar, and other crop by-products or residues); and, 2. Methane gas or other combustible gases resulting from the decomposition of organic materials from an agricultural operation, or from a landfill or wastewater treatment plant using either anaerobic or thermal decomposition, or a combination of both.

The restriction is removed that prevented a taxpayer from claiming a credit for a facility if a similar credit was taken on the federal tax return. Also, the Maryland Energy Administration will now have to issue initial credit certificates before taxpayers can claim this credit; specific requirements for the initial credit certificates, including maximum amounts issued for each facility and in the aggregate, are set forth in the legislation. Effective July 1, 2006.

### **Senate Bill 319 (Chapter 45, Acts of 2006) – Comptroller – Business Trusts**

Expands the definition of “member” to include a beneficiary of a business trust, and expands

## LEGISLATION ENACTED IN 2006

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the definition of “pass-through entity” (PTE) to include a business trust that is not taxed as a corporation. This change was made to clarify that a business trust that is not taxed as a corporation is required to pay Maryland income tax on behalf of a nonresident beneficiary if the business trust has nonresident taxable income for the tax year. Effective July 1, 2006, for tax years beginning after December 31, 2005.

### **Senate Bill 335 (Chapter 247) and House Bill 487 (Chapter 248) – Maryland-Mined Coal Tax Credits**

Requires a cogenerator or electricity supplier to apply to the State Department of Assessments and Taxation (SDAT) for approval of the credit by January 15 following the close of the year in which the Maryland-mined coal was purchased. SDAT must certify the amount of credit allowable to each applicant by February 15. The credit claimed by the applicant cannot exceed the amount approved by SDAT.

The total amount of credits approved by SDAT for any calendar year may not exceed:

- \$9,000,000 for calendar years 2007 through 2010; \$6,000,000 for calendar years 2011 through 2014; \$3,000,000 for calendar years 2015 through 2020; and \$0 thereafter.

If the total amount of credits applied for in any calendar year exceeds the maximum specified for that calendar year, SDAT must allocate the maximum amount proportionately to each applicant.

For calendar years 2007 through 2020, \$2,250,000 must be reserved each year for credits applied for in order to purchase Maryland-mined coal that will be used in a facility located in Maryland. If the full \$2,250,000 is applied for in any years, SDAT must allocate this amount proportionately to each applicant. Effective July 1, 2006, for tax years beginning after December 31, 2006.

### **Senate Bill 484 (Chapter 134) – Extensions for Filing Income Tax Returns**

Allows the Comptroller to extend the time to file an income tax return up to seven months for a corporation. Effective July 1, 2006, for tax years beginning after December 31, 2005.

### **Senate Bill 1076 (Chapter 447) – Community Investment Tax Credit**

Expands the Community Investment Tax Credit by allowing the use of contributions of real property to an approved project for the credit and by increasing, from \$125,000 to \$250,000, the maximum credit which may be claimed for any tax year. All other provisions, including the limitation of the credit to the business entity’s tax liability, remain intact. Effective October 1, 2006, for tax years beginning after December 31, 2006.

### **House Bill 448 (Chapter 577) – Revenue Collection – Offsets**

Allows the Comptroller to enter into a reciprocal agreement with the federal government under which the state will withhold state refunds and vendor payments for certified delinquent non-tax debts owed to the federal government and the federal government will withhold federal refunds and vendor payments for certified delinquent non-tax debts owed to the state.

If a joint income tax return is filed and the debt certified by the federal official is not the liability of both spouses, the Comptroller cannot withhold or pay to the federal official that portion of the income tax refund attributable to the individual not owing the debt. Effective July 1, 2006.

### **House Bill 731 (Chapter 191) – Businesses That Create New Jobs Tax Credit – Washington County**

Expands the definition of “new permanent full-time position” to include, in Washington County, a contract position of definite duration lasting at least 12 months with an unlimited renewal option, in order to qualify for Businesses that Create New Jobs Tax Credits against property tax and state

## LEGISLATION ENACTED IN 2006

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income tax. Effective July 1, 2006, for tax years beginning after December 31, 2006.

### **House Bill 859 (Chapter 587) – Refunds – Interest Rate**

Changes the calculation of the annual interest rate that the Comptroller sets for certain refunds to the greater of 3 percentage points above the average prime rate of interest quoted by commercial banks to large businesses during the State's previous fiscal year (rounded to the nearest whole number) or 13%. Effective July 1, 2006.

### **House Bill 994 (Chapter 368) – U.S. Government Employees' Foreign Earned Income**

Creates a new subtraction modification, for tax years 2007, 2008 and 2009 only, for up to \$3,500 of "foreign earned income" that is included in federal adjusted gross income. The definition of "foreign earned income" is as defined for purposes of the federal foreign earned income exclusion, except that the Maryland subtraction can include payments by the United States or an agency of the United States of foreign earned income to an employee of the United States or of an agency of the United States. The subtraction may not include any income otherwise allowed as a subtraction modification on the Maryland return. Effective July 1, 2006.

### **House Bill 1248 (Chapter 613) – Filing Requirements for Employer Withholding Tax Returns**

A person required to withhold \$15,000 or more for the preceding tax year, must complete and file an income tax withholding return within 3 business days after any payroll that causes the accumulated tax withheld to reach \$700 or more. Under this law change, a person allowed to file federal withholding tax returns on a monthly basis can request that the Comptroller waive the 3 day filing requirement. Once the requirement is waived, the person can file State withholding tax returns on a monthly basis for the remainder of the calendar year and may apply for renewal of the waiver if the person remains eligible to file federal withholding tax returns on a monthly basis. Effective July 1, 2006, for calendar years beginning after December 31, 2006.

### **House Bill 1391 (Chapter 394) – Tax Credits for Individuals Facing Employment Barriers**

Reestablishes a credit against the state income tax for a business entity for wages paid to a qualified ex-felon employee. This credit is very similar to the Long-Term Employment of Ex-Felons Tax Credit which expired on December 31, 2004.

The credit may be claimed by a person conducting or operating a trade or business in Maryland against their state income tax liability, or by an organization operating in Maryland that is exempt from taxation (under IRC §501(c)(3) or (4)) against its unrelated business taxable income or against state and local taxes withheld. A "qualified ex-felon employee" must be employed through a pilot program approved by the Maryland Department of Labor, Licensing and Regulation (DLLR) and a business entity may not claim the credit until it has notified the DLLR that a qualified ex-felon employee has been hired.

The credit is allowed for the first two years of employment for a portion of the wages paid during the tax year to the qualified ex-felon. For the first year, the credit is 30% of the first \$6,000 (up to \$1,800) and for the second year, the credit is 20% of the first \$6,000 (up to \$1,200). The credit may not exceed the State tax liability, although unused amounts may be carried forward for up to 5 tax years. An addition modification is required for individuals and corporations in the amount of the credit claimed.

Chapter 394, Acts of 2006, should be reviewed for more specific information about, and additional requirements for, this credit. This provision will take effect July 1, 2006, and will be applicable to all tax years beginning after December 31, 2006. The tax credit will be allowed for employees hired on or after January 1, 2007, but before January 1, 2012.

This Act extends, by one year, the Employment Opportunity Tax Credit and the Maryland Disability Employment Tax Credit. Both credits will be allowed for employees hired before July 1, 2007.

# LEGISLATION ENACTED IN 2006

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## SALES AND USE TAX

### **Senate Bill 227 (Chapter 217) and House Bill 308 (Chapter 218) – Sales and Use Tax Exemption for Veteran’s Organizations**

Provides a temporary sales and use tax exemption for sales to a qualified veteran’s organization. The three-year exemption period begins on July 1, 2006.

### **House Bill 951 (Chapter 197) – Bulk Vending Machines Sales**

Exempts from the sales and use tax a sale of tangible personal property through a bulk vending machine for a taxable price of 75 cents or less. Previously, only sales of 25 cents or less were exempt. “Bulk vending machine” is defined to mean a vending machine that contains unsorted merchandise, and on insertion of a coin, dispenses the unsorted merchandise in approximately equal portions at random and without selection by the customer. Effective July 1, 2006.

### **House Bill 1223 (Chapter 385) – Sales and Use Tax – Production Activity – Taxable Laundering Services**

Expands the definition of “production activity” by including the laundering, maintaining, or preparing textile products, and maintaining tangible personal property, in providing the taxable service of commercial cleaning or laundering of textiles for a buyer who is engaged in a business that requires the recurring service of commercial cleaning or laundering of the textiles.

Sales of tangible personal property used directly and predominately in a production activity are exempt from the sales and use tax. Effective July 1, 2006.

### **House Bill 1624 (Chapter 210) – Exemption for Sales by Religious and Nonprofit Organizations**

Exempts from the sales and use tax part of the sale price in a sale by a bona fide church, religious organization, or other nonprofit, tax exempt organization (under IRC §501(c)(3)) if the sale is made at an auction sale, and the proceeds of the sale are used to carry on the exempt purposes

of the church or organization. Unless the sale is otherwise exempt, only that part of the sale price that qualifies for a deduction under the federal income tax as a charitable contribution under the regulations and guidelines of the Internal Revenue Service is exempt under this Act. Effective July 1, 2006.

## ADMISSION AND AMUSEMENTS TAX

### **House Bill 1514 (Chapter 402) – Baltimore County – Admissions and Amusement Tax Exemptions**

Prohibits Baltimore County from imposing the admissions and amusement tax on gross receipts derived from any admissions and amusement charge for any activities related to agricultural tourism. Effective July 1, 2006.

## ESTATE TAX

### **Senate Bill 2 (Chapter 225) – Maryland Estate Tax**

Limits the amount of the federal credit used to determine the Maryland estate tax to 16% of the amount by which the taxable estate exceeds \$1 million unless the federal credit allowable under IRC §2011 is in effect on the date of the decedent’s death.

In addition, the Act made a number of changes to clarify Maryland law to reflect the partial decoupling of the Maryland estate tax from the federal estate tax. Some of those changes specify that: the person who is, or would be, responsible for filing a federal estate tax return is also responsible for filing a Maryland estate return; an amended Maryland estate tax return must be filed under certain conditions and must be filed no more than 90 days after the date of the event that caused the increase in the Maryland estate tax liability, or the date on which the person required to file an amended Maryland estate tax return learned or reasonably should have learned of the increase in the Maryland estate tax liability, whichever is later; the Comptroller may grant an extension to file a Maryland estate tax return for up to 6 months, or if the person required to file the estate tax return is out of the

## LEGISLATION ENACTED IN 2006

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United States, up to 1 year; if an alternative payment schedule is allowed by the Comptroller, the person responsible for filing the Maryland estate tax return shall pay the tax as scheduled; the Comptroller must assess a penalty for the underpayment of Maryland estate tax for any substantial estate tax valuation understatement; and an election is allowed to treat property as marital deduction qualified terminable interest property (QTIP) on the Maryland estate tax return and the property does not have to be treated in the same manner for federal estate tax purposes.

Chapter 225, Acts of 2006, should be reviewed for more specific information about these provisions and other changes to the Maryland estate tax law. Effective July 1, 2006 and applicable to decedents dying after December 31, 2005.

### **ALCOHOL & TOBACCO TAX**

#### **Senate Bill 280 (Chapter 127) - Removal of a Partially Consumed Bottle of Wine from a Licensed Premises**

Allows a person to leave a restaurant with a partially consumed bottle of wine that was purchased with a meal. The partially consumed bottle of wine must have the cork or cap replaced by the license holder or their employee, and will be considered an “open container” for purposes of transporting it in a vehicle. Effective July 1, 2006.

#### **House Bill 752 (Chapter 471) - United States Military Identification Card as Proof of Age**

Adding a United States military identification card to the forms of identification that an alcoholic beverages licensee or their employee can accept as proof of a person’s age for the purpose of purchasing alcoholic beverages. Effective October 1, 2006.

#### **Senate Bill 797 (Chapter 538) - Technical Changes to Definitions contained in the Escrow Act**

Clarifying certain definitions in the previously enacted Escrow Act which is the model statute provided by the Master Settlement Agreement

between the State of Maryland and certain tobacco manufacturers in the United States. Effective June 1, 2006.

#### **Senate Bill 812 (Chapter 111) - Limited Wine Wholesaler’s License and Non-resident Winery Permit**

Creates a Limited Wine Wholesaler’s License, available to small in-State wineries, and a Non-resident Winery Permit, available to small out-of-State wineries, to allow for the sale of their own wine directly to Maryland retailers. The license and the permit cost \$50 each, and are available only to wineries that manufacture no more than 27,500 gallons of their own wine annually. Effective April 25, 2006.

# TAXPAYER ASSISTANCE INFORMATION

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## Admissions and Amusement Tax

Contact: Admissions and Amusement Tax  
Revenue Administration Division  
301 West Preston Street  
Baltimore, Maryland 21201-2383

Or Call: In the Baltimore area ..... 410-767-1300  
Toll-free in Maryland..... 1-800-492-1751  
FAX ..... 410-767-1571  
e-mail - taxhelp@comp.state.md.us

## Alcohol and Tobacco Tax

Contact: Regulatory and Enforcement Division – Alcohol and Tobacco Tax Bureau  
Room 310  
P.O. Box 2999  
Louis L. Goldstein Treasury Building  
Annapolis, Maryland 21404-2999

Or Call: Central Maryland ..... 410-260-7314  
Toll-free in Maryland..... 1-888-784-0145  
FAX ..... 410-974-3201  
e-mail - att@comp.state.md.us  
Web site - <http://compnet.comp.state.md.us/red>

## Death Taxes

Contact: Revenue Administration Division  
Estate Tax  
P.O. Box 828  
Annapolis, Maryland 21404-0828

Or Call: Central Maryland ..... 410-260-7850  
Toll-free in Maryland..... 1-800-MD-TAXES  
FAX ..... 410-974-2968  
e-mail - taxhelp@comp.state.md.us

## Income Tax

Contact: Revenue Administration Division  
Revenue Administration Center  
Annapolis, Maryland 21411-0001

Or Call: Central Maryland ..... 410-260-7980  
Toll-free from elsewhere ..... 1-800-MD-TAXES  
Tax Forms ..... 410-260-7951  
FAX ..... 410-974-5808  
e-mail - taxhelp@comp.state.md.us

## Motor Fuel Tax

Contact: Motor Fuel Tax Division  
Room 317  
P.O. Box 1751  
Louis L. Goldstein Treasury Building  
Annapolis, Maryland 21404-1751

Or Call: Central Maryland ..... 410-260-7131  
Toll-free in Maryland (Licensing) ..... 1-888-784-0142  
(IFTA Inquiries) ..... 1-888-784-0141  
FAX ..... 410-974-3129  
e-mail - mft@comp.state.md.us

**New Business Information**

Contact: Taxpayer Registration Assistance Center  
Room 206  
301 West Preston Street  
Baltimore, Maryland 21201-2383

Or Call: In the Baltimore area ..... 410-767-1313  
Toll-free in Maryland..... 1-800-MD-TAXES  
FAX ..... 410-767-1571  
e-mail - taxhelp@comp.state.md.us

**Sales and Use Tax**

Contact: Revenue Administration Division  
Taxpayer Service Section  
301 West Preston Street  
Baltimore, Maryland 21201-2383

Or Call: In the Baltimore area ..... 410-767-1300  
Toll-free in Maryland..... 1-800-492-1751  
FAX ..... 410-767-1571  
e-mail - sut@comp.state.md.us

**Tire Recycling Fee**

Contact: Revenue Administration Division  
Taxpayer Service Section  
301 West Preston Street  
Baltimore, Maryland 21201-2383

Or Call: Central Maryland ..... 410-767-1300  
Toll-free in Maryland..... 1-800-492-1751  
FAX ..... 410-767-1571  
e-mail - taxhelp@comp.state.md.us

**Unclaimed Property**

Contact: Unclaimed Property Section  
Compliance Division  
301 West Preston Street  
Baltimore, Maryland 21201-2385

Or Call: In the Baltimore area ..... 410-767-1700  
Toll-free from elsewhere ..... 1-800-782-7383  
FAX ..... 410-333-7150  
e-mail - unclaim@comp.state.md.us

**Utility Surcharges (Environmental Surcharge on Electricity, Emergency Telephone System Surcharge (911 Fee), Telecommunications Access Surcharge and Electric Universal Service Surcharge)**

Contact: Revenue Administration Division  
Revenue Accounting  
110 Carroll Street  
Annapolis, Maryland 21411-0011

Or Call: In the Baltimore area ..... 410-260-7782  
Toll-free from elsewhere ..... 1-800-492-1751  
FAX ..... 410-974-2803  
e-mail - taxhelp@comp.state.md.us

FOR TAX INFORMATION, VISIT THE COMPTROLLER'S WEB SITE:

[www.marylandtaxes.com](http://www.marylandtaxes.com)

