

**Department of Legislative Services**  
 Maryland General Assembly  
 2014 Session

**FISCAL AND POLICY NOTE**

House Bill 554  
 Ways and Means

(Delegate Dumais, *et al.*)

Budget and Taxation

**Commission on Tax Policy, Reform, and Fairness**

This bill establishes the Commission on Tax Policy, Reform, and Fairness. The Comptroller’s Office and the Department of Budget and Management (DBM) must provide staff support for the commission. The commission must submit a report of its findings and recommendations to the Governor and the General Assembly by December 1, 2015.

The bill takes effect July 1, 2014, and terminates June 30, 2016.

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$90,400 in FY 2015 and by \$103,500 in FY 2016 for contractual staff to support the work of the commission. Expense reimbursements for commission members are assumed to be minimal and absorbable with existing resources. Revenues are not affected.

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	90,400	103,500	0	0	0
Net Effect	(\$90,400)	(\$103,500)	\$0	\$0	\$0

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** The commission must (1) study the current revenue structure of the State, including income, sales, corporate, motor fuel, excise and property taxes, tax exemptions and credits, and fees; (2) review the academic and economic research on state and local tax policy to assist in the overall assessment of efficacy, fairness, and competitiveness of the State's current revenue structure; (3) review the revenue structure of neighboring jurisdictions for the purpose of evaluating the regional competitiveness of the State's tax structure; (4) consider the nature of the State's economy and the importance of service and professional businesses to economic development; (5) consider whether or not the current revenue structure of the State should be reformed, modified, and modernized; and (6) make recommendations regarding changes to the State's revenue structure that promote job growth and economic development; ensure fairness, simplicity, and transparency; provide a stable, balanced, and reliable revenue stream, while not reducing services; and create a business friendly environment.

**Background:** Taxes are the primary source of revenues in Maryland. Individual income taxes are the single largest source of revenue, followed by the sales and use tax and transportation taxes (motor fuel tax, motor carrier tax, and motor vehicle excise tax). The balance of State tax revenues is derived from the corporate income tax and other business taxes, property and property transfer taxes, tobacco and alcoholic beverage taxes, estate and inheritance taxes, and miscellaneous taxes.

**State Expenditures:** General fund expenditures increase by \$90,400 in fiscal 2015 and by \$103,500 in fiscal 2016. This estimate reflects the cost of one outside contractor at the Comptroller's Office and one outside contractor at DBM, each with experience in taxation and economics to carry out the requirements of the bill, including an evaluation of the State's tax and fee system. The estimates for both agencies include salaries, fringe benefits, one-time start-up costs, and operating expenses for the duration of the commission. Expense reimbursements for the commission members are assumed to be minimal and absorbable with existing resources.

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## Additional Information

**Prior Introductions:** HB 1302 of 2013 passed the House and received a hearing in the Senate Budget and Taxation Committee, but no further action was taken.

**Cross File:** SB 625 (Senator Feldman) - Budget and Taxation.

**Information Source(s):** Department of Budget and Management, Comptroller's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - February 10, 2014  
ncs/jrb

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