

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1418 (Delegate Muse, *et al.*)
Ways and Means

Income Tax Revenue Distribution - Municipalities

This bill provides that the distribution of income tax revenues to municipalities and special taxing districts shall be reduced by two-thirds if the municipality does not provide full-time police protection with at least five officers and does not exercise planning and zoning powers. If the municipality provides police protection or exercises planning and zoning powers, but not both, the distribution of income tax revenues shall be reduced by one-third. Such a reduction shall remain in effect until the changes in service are undertaken by the municipality and the county in which the municipality is located approves a change in the distribution.

This bill is effective October 1, 1997, and applies to all taxable years beginning after December 31, 1997.

Fiscal Summary

State Effect: None.

Local Effect: County revenues could increase by a total of about \$8.8 million attributable to tax year 1998, and municipal revenues could decline by a corresponding amount. This redistribution would continue each year in amounts about 5% higher. Expenditures would not be affected.

Small Business Effect: None. This bill does not directly affect small businesses.

Fiscal Analysis

Local Revenues: County revenues would increase by a total of about \$8.8 million attributable to tax year 1998 for the 18 counties that have municipalities and special taxing districts which would receive reduced distributions of local income tax revenue under this

bill. This would increase about 5% annually. Prince George's and Montgomery counties would receive a total increase of \$7.3 million. About 131 municipalities and special taxing districts would receive smaller distributions of revenue under this bill. The average reduction would be \$67,200 (excluding Montgomery and Prince George's counties, the average reduction would be \$17,900). This redistribution of tax year 1998 revenues would result in a fiscal 1998 revenue increase for the counties of about \$3.7 million.

Information Source(s): Office of the Comptroller (Revenue Administration Division), Department of Fiscal Services

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