

Department of Legislative Services  
Maryland General Assembly  
2000 Session

FISCAL NOTE  
Revised

Senate Bill 551 (Senator Hoffman)

Budget and Taxation

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County Income Tax Disparity Grants

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This bill makes technical changes to the disparity grant formula to reflect the current method of calculating local income taxes. This bill takes effect October 1, 2000 and shall be applicable to grants for fiscal years beginning on or after July 1, 2001.

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Fiscal Summary

**State Effect:** None. This bill corrects the calculation of the disparity grant to reflect the current method of calculating local income taxes and is intended to be revenue neutral.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Current Law:** The disparity grant formula ensures that each county's per capita local income tax revenue is at least 75% of the statewide average. Each county's grant equals the amount necessary to raise the county's per capita income tax revenues to 75% of the statewide average. In fiscal 2001, eight counties are eligible to receive disparity grants (Allegany, Baltimore City, Caroline, Dorchester, Garrett, Prince George's, Somerset, and Wicomico).

**Background:** Chapter 493 of 1999 changed the calculation of the local income tax from a percentage of the State tax liability to a percentage of net taxable income. However, the prior method of calculating local income taxes (percentage of the State tax liability) is still used in the disparity grant formula. This bill corrects the calculation of the disparity grant to reflect

the current method of calculating local income taxes. The bill is intended to be revenue neutral.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 945 (Delegate Hixson) - Ways and Means.

**Information Source:** Department of Legislative Services

**Fiscal Note History:** First Reader - February 27, 2000  
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