

HOUSE BILL 1274

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2002 Regular Session
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By: **Delegates Hixson and Taylor**

Introduced and read first time: February 14, 2002

Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Budget Financing Act of 2002**

3 FOR the purpose of altering the regular commission that a licensed agent of the State
4 Lottery Agency receives on ticket sales made during a year; altering the
5 distribution of certain sales and use tax revenues from short-term vehicle
6 rentals; altering a certain discount that a licensed dealer or licensed special fuel
7 seller is allowed to deduct under the motor fuel tax; altering a certain credit
8 allowed for the expense of collecting and paying the sales and use tax; altering a
9 certain discount allowed a licensed tobacco wholesaler or the purchase of tobacco
10 tax stamps; altering a certain limit on the aggregate principal balance of certain
11 transportation bonds that may be outstanding and unpaid at any one time;
12 altering the distribution of certain filing fees for perfection of security interests
13 in vehicles; altering the distribution of certain fees collected for certain
14 personalized registration plates; altering a certain credit allowed to a licensed
15 vehicle dealer for collecting and remitting the motor vehicle excise tax; altering
16 the distribution of certain penalties for termination or lapse of the required
17 security for a vehicle; repealing a termination provision applicable to the Vehicle
18 Theft Prevention Council and the Vehicle Theft Prevention Fund; repealing a
19 termination provision applicable to the School Bus Safety Enforcement Fund;
20 altering a provision regarding the effect on the Maryland income tax of certain
21 amendments of the Internal Revenue Code under certain circumstances;
22 providing an addition modification under the Maryland income tax for certain
23 tuition and related expenses deducted for federal income tax purposes; altering
24 the effect on the Maryland estate tax of an Act of Congress that repeals or
25 reduces a certain credit allowed against the federal estate tax; providing for the
26 application of this Act; and generally relating to the financing of State
27 government.

28 BY repealing and reenacting, with amendments,
29 Article - State Government
30 Section 9-117(a)
31 Annotated Code of Maryland
32 (1999 Replacement Volume and 2001 Supplement)

33 BY repealing and reenacting, with amendments,

- 1 Article - Tax - General
2 Section 2-1302.1, 7-304, 7-309, 9-315(a), 11-105, and 12-303(b)
3 Annotated Code of Maryland
4 (1997 Replacement Volume and 2001 Supplement)
- 5 BY repealing and reenacting, with amendments,
6 Article - Transportation
7 Section 3-202, 3-215(b), and 8-402(b)
8 Annotated Code of Maryland
9 (2001 Replacement Volume)
- 10 BY repealing and reenacting, with amendments,
11 Article - Transportation
12 Section 13-208, 13-613(d), 13-812(a), and 17-106(e)(2)
13 Annotated Code of Maryland
14 (1999 Replacement Volume and 2001 Supplement)
- 15 BY repealing and reenacting, with amendments,
16 Chapter 459 of the Acts of the General Assembly of 1994, as amended by
17 Chapter 434 of the Acts of the General Assembly of 1997, as amended by
18 Chapter 338 of the Acts of the General Assembly of 2000
19 Section 4
- 20 BY repealing and reenacting, with amendments,
21 Chapter 332 of the Acts of the General Assembly of 2000
22 Section 6
- 23 BY renumbering
24 Article - Tax - General
25 Section 10-221
26 to be Section 10-108
27 Annotated Code of Maryland
28 (1997 Replacement Volume and 2001 Supplement)
- 29 BY repealing and reenacting, with amendments,
30 Article - Tax - General
31 Section 10-108
32 Annotated Code of Maryland
33 (1997 Replacement Volume and 2001 Supplement)
34 (As enacted by Section 2 of this Act)
- 35 BY repealing and reenacting, without amendments,
36 Article - Tax - General
37 Section 10-204(a)

1 Annotated Code of Maryland
2 (1997 Replacement Volume and 2001 Supplement)

3 BY adding to
4 Article - Tax - General
5 Section 10-204(h)
6 Annotated Code of Maryland
7 (1997 Replacement Volume and 2001 Supplement)

8 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
9 MARYLAND, That the Laws of Maryland read as follows:

10 **Article - State Government**

11 9-117.

12 (a) (1) During a calendar year, a licensed agent shall receive regular
13 commissions of [5%] 4% of the licensed agent's gross receipts from ticket sales made
14 during that year.

15 (2) A licensed agent may further receive a cashing fee not to exceed 3% of
16 valid prizes paid for services rendered in cashing winning tickets.

17 **Article - Tax - General**

18 2-1302.1.

19 [(a)] After making the distributions required under §§ 2-1301 and 2-1302 of
20 this subtitle, the Comptroller monthly shall distribute 45% of the sales and use tax
21 collected on short-term vehicle rentals under § 11-104(c) of this article to the
22 Transportation Trust Fund established under § 3-216 of the Transportation Article.

23 [(b) For the period from January 1, 2002 through June 30, 2002 and for fiscal
24 years beginning on or after July 1, 2002 but before July 1, 2007, after making the
25 distribution under subsection (a) of this section, the Comptroller shall distribute the
26 remaining sales and use tax collected on short-term vehicle rentals under § 11-104(c)
27 of this article to the Transportation Trust Fund established under § 3-216 of the
28 Transportation Article.]

29 9-315.

30 (a) A licensed dealer or licensed special fuel seller shall deduct [1%] 0.5% of
31 the 1st 10 cents of the motor fuel tax on each gallon of motor fuel, as a discount:

32 (1) instead of an allowance for evaporation, shrinkage, and handling;
33 and

34 (2) to reimburse the licensed dealer or licensed special fuel seller for
35 expenses incurred for the State in:

- 1 (i) keeping records;
- 2 (ii) collecting and paying the tax; and
- 3 (iii) preparing reports.

4 11-105.

5 (a) Except as provided in subsection (b) of this section, a person who timely
6 files a sales and use tax return is allowed, for the expense of collecting and paying the
7 tax, a credit equal to [0.9%] 0.45% of the gross amount of sales and use tax that the
8 person is to pay to the Comptroller.

9 (b) (1) Subject to paragraph (2) of this subsection, the credit allowed under
10 this section is [1.2%] 0.6% of the first \$6,000 of the gross amount of sales and use tax
11 that the person is to pay with each return.

12 (2) For a vendor who files or is eligible to file a consolidated return under
13 § 11-502 of this title, the credit allowed under paragraph (1) of this subsection is
14 [1.2%] 0.6% of the first \$6,000 of the gross amount of sales and use tax that the
15 person is or would be required to pay with the consolidated return.

16 12-303.

17 (b) The Comptroller shall allow a licensed wholesaler a discount of [0.82%]
18 0.41% of the purchase price of tax stamps.

19

Article - Transportation

20 3-202.

21 (a) The Department from time to time may issue its bonds on behalf of this
22 State to finance the cost of any one or more or combination of transportation facilities.

23 (b) The bonds shall be known as "consolidated transportation bonds" and may
24 be issued in any amount as long as the aggregate outstanding and unpaid principal
25 balance of these bonds and bonds of prior issues does not exceed at any one time the
26 sum of [\$1.2] \$1.4 billion.

27 (c) The maximum outstanding and unpaid principal balance of consolidated
28 transportation bonds and bonds of prior issues as of June 30 for the next fiscal year:

29 (1) Shall be established each year by the General Assembly in the State
30 budget; and

31 (2) May not exceed the limit established in subsection (b) of this section.

1 3-215.

2 (b) The tax levied and imposed by this section consists of that part of the
3 following taxes that are retained to the credit of the Department after distributions to
4 the political subdivisions:

5 (1) The motor fuel tax revenue distributed under §§ 2-1103(2) and
6 2-1104(4) of the Tax - General Article;

7 (2) The income tax revenue distributed under §§ 2-614 and 2-616 of the
8 Tax - General Article;

9 (3) The excise tax imposed on vehicles by Part II of Title 13, Subtitle 8 of
10 this article; and

11 (4) The sales and use tax revenues distributed under [§ 2-1302.1(a)] §
12 2-1302.1 of the Tax - General Article.

13 8-402.

14 (b) All revenues collected from the following, after deductions provided by law,
15 shall be credited to the Gasoline and Motor Vehicle Revenue Account:

16 (1) All of the motor vehicle fuel tax;

17 (2) Except as otherwise provided by law, 80 percent of the vehicle titling
18 tax;

19 (3) Except for revenues collected under Parts III and IV of Title 13,
20 Subtitle 9 of this article, vehicle registration fees;

21 (4) The revenue disbursed to this account under §§ 2-614 and 2-616 of
22 the Tax - General Article; and

23 (5) 80 percent of the funds distributed on short-term vehicle rentals
24 under [§ 2-1302.1(a)] § 2-1302.1 of the Tax - General Article to the Transportation
25 Trust Fund from the sales and use tax.

26 13-208.

27 (a) [(1) Except as provided in paragraph (2) of this subsection, of each filing
28 fee received under this subtitle, the Administration shall deposit \$9 in the
29 Transportation Trust Fund and \$5 in the General Fund.

30 (2) For the fiscal year beginning July 1, 2001, of] OF each filing fee
31 received under this subtitle, the Administration shall deposit \$14 in the General
32 Fund.

33 (b) For each fiscal year, the Comptroller shall distribute to Baltimore City an
34 amount equal to \$5 [of the General Fund portion of] FOR each filing fee received
35 under this subtitle.

1 13-613.

2 (d) Except as provided in subsection (e) of this section, of the proceeds
3 collected annually from the additional fees charged under this section:

4 (1) The first \$180,000 shall be paid into a special fund administered by
5 the Maryland Higher Education Commission for use in the medical, dental, legal,
6 nursing, social work, and pharmaceutical scholarship programs provided by this
7 State;

8 (2) The next \$200,000 shall be used solely for the purposes of the
9 scholarship program authorized by §§ 18-1101 through 18-1105 of the Education
10 Article; and

11 (3) Except as otherwise provided by law, any balance shall be distributed
12 [:

13 (i) To] TO the General Fund of the State [for the fiscal year
14 beginning July 1, 2001; and

15 (ii) To the Transportation Trust Fund for each fiscal year beginning
16 on or after July 1, 2002].

17 13-812.

18 (a) For collecting and remitting the tax, a licensed dealer who, on behalf of the
19 Administration, collects the excise tax imposed by this part may keep the lesser of
20 [\$24] \$12 per vehicle or [1.2] 0.6 percent of the gross excise tax the dealer collects.

21 17-106.

22 (e) (2) (i) A penalty assessed under this subsection shall be paid as
23 follows:

24 1. 70% to be allocated as provided in subparagraphs (ii)
25 through [(vii)] (IV) of this paragraph; and

26 2. 30% to the Administration, which may be used by the
27 Administration, subject to subsection (f) of this section, to provide funding for
28 contracts with independent insurance producers to assist in the recovery of evidences
29 of registration as authorized in subsection (d)(3) of this section.

30 (ii) For the fiscal year beginning July 1, 2001, the percentage of the
31 penalties specified under subparagraph (i)1 of this paragraph shall be allocated
32 among the Motor Vehicle Registration Enforcement Fund, the School Bus Safety
33 Enforcement Fund, the Transportation Trust Fund, and the General Fund as follows:

34 1. \$400,000 to the Motor Vehicle Registration Enforcement
35 Fund;

36 2. \$600,000 to the School Bus Safety Enforcement Fund;

1 3. \$11,600,000 to the Transportation Trust Fund; and

2 4. The balance to the General Fund.

3 (iii) For the fiscal year beginning July 1, 2002, the percentage of the
4 penalties specified under subparagraph (i)1 of this paragraph shall be allocated
5 among the VEHICLE THEFT PREVENTION FUND, THE MARYLAND AUTOMOBILE
6 INSURANCE FUND, THE Motor Vehicle Registration Enforcement Fund, the School
7 Bus Safety Enforcement Fund, and the [Transportation Trust Fund] GENERAL FUND
8 as follows:

9 1. \$400,000 to the Motor Vehicle Registration Enforcement
10 Fund;

11 2. \$600,000 to the School Bus Safety Enforcement Fund;
12 [and]

13 3. \$2,000,000 TO THE VEHICLE THEFT PREVENTION FUND;

14 4. \$2,000,000 TO THE MARYLAND AUTOMOBILE INSURANCE
15 FUND; AND

16 5. The balance to the [Transportation Trust Fund] GENERAL
17 FUND.

18 (iv) For each fiscal year beginning ON OR AFTER July 1, 2003 [or
19 July 1, 2004], the percentage of the penalties specified under subparagraph (i)1 of
20 this paragraph shall be allocated [between] AMONG the School Bus Safety
21 Enforcement Fund, THE VEHICLE THEFT PREVENTION FUND, THE MARYLAND
22 AUTOMOBILE INSURANCE FUND, and the [Transportation Trust Fund] GENERAL
23 FUND as follows:

24 1. \$600,000 to the School Bus Safety Enforcement Fund;
25 [and]

26 2. \$2,000,000 TO THE VEHICLE THEFT PREVENTION FUND;

27 3. THE AMOUNT DISTRIBUTED TO THE MARYLAND
28 AUTOMOBILE INSURANCE FUND IN THE PRIOR FISCAL YEAR UNDER THE
29 PROVISIONS OF THIS PARAGRAPH ADJUSTED BY THE CHANGE FOR THE CALENDAR
30 YEAR PRECEDING THE FISCAL YEAR IN THE CONSUMER PRICE INDEX - ALL URBAN
31 CONSUMERS - MEDICAL CARE AS PUBLISHED BY THE UNITED STATES BUREAU OF
32 LABOR STATISTICS TO THE MARYLAND AUTOMOBILE INSURANCE FUND; AND

33 4. The balance to the [Transportation Trust Fund] GENERAL
34 FUND.

35 [(v) For each fiscal year beginning July 1, 2005 or July 1, 2006, the
36 percentage of the penalties specified under subparagraph (i)1 of this paragraph shall
37 be distributed to the Transportation Trust Fund.

1 (vi) For the fiscal year beginning July 1, 2007, the percentage of the
2 penalties specified under subparagraph (i)1 of this paragraph shall be allocated
3 between the Maryland Automobile Insurance Fund and the General Fund as follows:

4 1. \$4,400,000 to the Maryland Automobile Insurance Fund;
5 and

6 2. The balance to the General Fund.

7 (vii) For a fiscal year beginning on or after July 1, 2008, the
8 percentage of the penalties specified under subparagraph (i)1 of this paragraph shall
9 be allocated between the Maryland Automobile Insurance Fund and the General
10 Fund as follows:

11 1. The amount distributed to the Maryland Automobile
12 Insurance Fund in the prior fiscal year under the provisions of this paragraph
13 adjusted by the change for the calendar year preceding the fiscal year in the
14 Consumer Price Index - All Urban Consumers - Medical Care as published by the
15 United States Bureau of Labor Statistics to the Maryland Automobile Insurance
16 Fund; and

17 2. The balance to the General Fund.]

18 **Chapter 459 of the Acts of 1994, as amended by Chapter 434 of the Acts of**
19 **1997, and Chapter 338 of the Acts of 2000**

20 SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take
21 effect July 1, 1994. [It shall remain in effect for a period of nine years and one day
22 and, at the end of July 1, 2003, with no further action required by the General
23 Assembly, this Act shall be abrogated and of no further force and effect.]

24 **Chapter 332 of the Acts of 2000**

25 SECTION 6. AND BE IT FURTHER ENACTED, That, subject to the
26 provisions of Section 5 of this Act, this Act shall take effect July 1, 2000. [Sections 1
27 and 2 of this Act shall remain effective for a period of 5 years and, at the end of June
28 30, 2005, with no further action required by the General Assembly, Sections 1 and 2 of
29 this Act shall be abrogated and of no further force or effect. Any balance in the School
30 Bus Safety Enforcement Fund after June 30, 2005, shall be transferred to the State
31 General Fund.]

32 SECTION 2. AND BE IT FURTHER ENACTED, That Section(s) 10-221 of
33 Article - Tax - General of the Annotated Code of Maryland be renumbered to be
34 Section(s) 10-108.

35 SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland
36 read as follows:

Article - Tax - General

10-108.

(a) [Unless] EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION AND UNLESS expressly provided otherwise by law, an amendment of the Internal Revenue Code that, [during] FOR the taxable year in which the amendment is enacted, eliminates [or reduces], REDUCES, ADDS, OR INCREASES a deduction [or substitutes], SUBSTITUTES a credit for a deduction, OR SUBSTITUTES A DEDUCTION FOR A CREDIT, does not affect the [deduction for purposes of] DETERMINATION OF MARYLAND TAXABLE INCOME UNDER this title [during] FOR that TAXABLE year.

(b) Within 60 days after an amendment of the Internal Revenue Code is enacted, the Comptroller shall prepare and submit to the Governor and, subject to § 2-1246 of the State Government Article, the President of the Senate and the Speaker of the House a report that outlines:

(1) the changes in the Internal Revenue Code; and

(2) the impact of those changes on State revenue and on various classes and types of taxpayers.

(C) SUBSECTION (A) OF THIS SECTION DOES NOT APPLY TO AN AMENDMENT OF THE INTERNAL REVENUE CODE IF THE COMPTROLLER DETERMINES THAT THE IMPACT OF THE AMENDMENT ON STATE INCOME TAX REVENUE FOR THE FISCAL YEAR THAT BEGINS DURING THE CALENDAR YEAR IN WHICH THE AMENDMENT IS ENACTED WILL BE LESS THAN \$1,000,000.

10-204.

(a) To the extent excluded from federal adjusted gross income, the amounts under this section are added to the federal adjusted gross income of a resident to determine Maryland adjusted gross income.

(H) THE ADDITION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES THE AMOUNT DEDUCTED UNDER § 222 OF THE INTERNAL REVENUE CODE FOR QUALIFIED TUITION AND RELATED EXPENSES PAID DURING THE TAXABLE YEAR.

SECTION 4. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article - Tax - General

7-304.

(a) [In] SUBJECT TO § 7-309 OF THIS SUBTITLE, IN this section, "federal credit" means the maximum credit for death taxes paid to any state that is allowable under § 2011 of the Internal Revenue Code against the federal estate tax of a decedent as reduced by the proportion that the amount of the estate not included in the Maryland estate bears to the amount of the entire estate of the decedent.

1 (b) (1) Except as otherwise provided in this subsection, the Maryland estate
2 tax is the amount, if any, by which the federal credit exceeds the total of death taxes
3 other than the Maryland estate tax that:

4 (i) are imposed by a state on property included in the Maryland
5 estate;

6 (ii) are allowable in computing the federal credit; and

7 (iii) except as provided in § 13-906 of this article, have actually been
8 paid out of the Maryland estate and received by the appropriate unit of this State.

9 (2) [The] SUBJECT TO § 7-309 OF THIS SUBTITLE, THE Maryland estate
10 tax may not exceed the amount whose timely payment in accordance with federal law
11 would reduce the amount of the federal estate tax payable out of the Maryland estate
12 had this subtitle not been enacted.

13 (c) The Maryland estate tax is not affected by a failure to take or preserve the
14 federal credit.

15 7-309.

16 (A) [If Congress passes an act] NOTWITHSTANDING AN ACT OF CONGRESS
17 that repeals OR REDUCES the federal credit under § 2011 of the Internal Revenue
18 Code, [and does not enact a similar statute as a substitute:

19 (1)] the provisions of this subtitle [that are] in effect before the passage
20 of the Act of Congress shall apply with respect to a decedent who [died before the end
21 of the period covered by a budget bill that the General Assembly passed before the
22 effective date of the Act of Congress; and

23 (2) this subtitle is void with respect to a decedent who dies after the
24 effective date of the Act of Congress] DIES AFTER THE EFFECTIVE DATE OF THE ACT
25 OF CONGRESS SO AS TO CONTINUE THE MARYLAND ESTATE TAX IN FORCE WITHOUT
26 REDUCTION IN THE SAME MANNER AS IF THE FEDERAL CREDIT HAD NOT BEEN
27 REPEALED OR REDUCED.

28 (B) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION,
29 AFTER THE EFFECTIVE DATE OF AN ACT OF CONGRESS DESCRIBED IN SUBSECTION
30 (A) OF THIS SECTION, THE MARYLAND ESTATE TAX SHALL BE DETERMINED USING:

31 (I) THE FEDERAL CREDIT ALLOWABLE BY § 2011 OF THE INTERNAL
32 REVENUE CODE AS IN EFFECT BEFORE THE REDUCTION OR REPEAL OF THE
33 FEDERAL CREDIT PURSUANT TO THE ACT OF CONGRESS; AND

34 (II) OTHER PROVISIONS OF FEDERAL ESTATE TAX LAW, INCLUDING
35 THE APPLICABLE UNIFIED CREDIT ALLOWED AGAINST THE FEDERAL ESTATE TAX,
36 AS IN EFFECT ON THE DATE OF THE DECEDENT'S DEATH.

1 (2) IF THE FEDERAL ESTATE TAX IS NOT IN EFFECT ON THE DATE OF
2 THE DECEDENT'S DEATH, THE MARYLAND ESTATE TAX SHALL BE DETERMINED
3 USING:

4 (I) THE FEDERAL CREDIT ALLOWABLE BY § 2011 OF THE INTERNAL
5 REVENUE CODE AS IN EFFECT BEFORE THE REDUCTION OR REPEAL OF THE
6 FEDERAL CREDIT PURSUANT TO THE ACT OF CONGRESS; AND

7 (II) OTHER PROVISIONS OF FEDERAL ESTATE TAX LAW, INCLUDING
8 THE APPLICABLE UNIFIED CREDIT ALLOWED AGAINST THE FEDERAL ESTATE TAX,
9 AS IN EFFECT ON THE DATE IMMEDIATELY PRECEDING THE EFFECTIVE DATE OF
10 THE REPEAL OF THE FEDERAL ESTATE TAX.

11 SECTION 5. AND BE IT FURTHER ENACTED, That Section 3 of this Act
12 shall be applicable to all taxable years beginning after December 31, 2001.

13 SECTION 6. AND BE IT FURTHER ENACTED, That Section 4 of this Act
14 shall be applicable to any Act of Congress enacted on or after January 1, 2001 with
15 respect to decedents dying after December 31, 2001.

16 SECTION 7. AND BE IT FURTHER ENACTED, That, subject to Sections 5
17 and 6 of this Act, this Act shall take effect July 1, 2002 and shall be applicable to all
18 fiscal years beginning on or after July 1, 2002.