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By: **Senator Pinsky**

Introduced and read first time: February 4, 2005

Assigned to: Budget and Taxation

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A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax Revenues - Distributions to Municipal Corporations**

3 FOR the purpose of requiring the governing body of a county, at the request of the  
4 governing body of a municipal corporation, to meet and discuss the distribution  
5 of certain income tax revenues to the municipal corporation for a certain fiscal  
6 year; authorizing the governing body of a county under certain circumstances to  
7 adjust certain percentages used to determine the amount of certain income tax  
8 revenues distributed to a municipal corporation; requiring the governing body of  
9 a county that adjusts certain percentages used to determine the amount of  
10 certain income tax revenues distributed to a municipal corporation to notify the  
11 Comptroller of the adjusted percentages before a certain time; and generally  
12 relating to authorizing county governing bodies under certain circumstances to  
13 adjust certain percentages used to determine the amount of certain income tax  
14 revenues distributed to a municipal corporation.

15 BY repealing and reenacting, with amendments,  
16 Article - Tax - General  
17 Section 2-607  
18 Annotated Code of Maryland  
19 (2004 Replacement Volume)

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

22 **Article - Tax - General**

23 2-607.

24 (a) After making the distributions required under §§ 2-604 through 2-606 of  
25 this subtitle, from the remaining income tax revenue from individuals, SUBJECT TO  
26 SUBSECTION (D) OF THIS SECTION, the Comptroller shall distribute to each special  
27 taxing district that received an income tax revenue distribution in fiscal year 1977  
28 and to each municipal corporation an amount that, based on the certification of the  
29 Comptroller as to State income tax liability and county income tax liability of the  
30 residents of the district or municipal corporation, equals the greater of:

1 (1) subject to subsection (b) of this section, 17% of the county income tax  
2 liability of those residents; or

3 (2) 0.37% of the Maryland taxable income of those residents.

4 (b) If the county income tax rate for a county is less than 2.6%, the amount  
5 determined under subsection (a)(1) of this section shall be multiplied by a fraction:

6 (1) the numerator of which is 2.6%; and

7 (2) the denominator of which is the county income tax rate for the  
8 county.

9 (c) The Comptroller shall adjust the amount distributed under subsection (a)  
10 of this section to a municipal corporation or special taxing district to allow for a  
11 proportionate part of refund and interest payments for a prior calendar year made  
12 after a distribution is made to the municipal corporation or district for that year.

13 (D) (1) AT THE REQUEST OF THE GOVERNING BODY OF A MUNICIPAL  
14 CORPORATION IN THE COUNTY, THE GOVERNING BODY OF A COUNTY SHALL MEET  
15 AND DISCUSS WITH THE GOVERNING BODY OF THE MUNICIPAL CORPORATION THE  
16 DISTRIBUTION UNDER THIS SECTION OF AN ENHANCED AMOUNT TO THE MUNICIPAL  
17 CORPORATION FOR THE NEXT FISCAL YEAR.

18 (2) (I) AFTER THE MEETING, IF SPECIAL CIRCUMSTANCES ARE  
19 DEMONSTRATED THAT JUSTIFY A DISTRIBUTION TO THE MUNICIPAL CORPORATION  
20 GREATER THAN THE AMOUNTS DETERMINED UNDER SUBSECTION (A) OF THIS  
21 SECTION, THE GOVERNING BODY OF THE COUNTY MAY ADJUST THE PERCENTAGES  
22 SPECIFIED UNDER SUBSECTION (A)(1) AND (2) OF THIS SECTION TO PROVIDE FOR A  
23 GREATER DISTRIBUTION TO THE MUNICIPAL CORPORATION FOR THE NEXT FISCAL  
24 YEAR.

25 (II) IF THE GOVERNING BODY OF A COUNTY ADJUSTS THE  
26 PERCENTAGES SPECIFIED UNDER SUBSECTION (A)(1) AND (2) OF THIS SECTION FOR A  
27 MUNICIPAL CORPORATION, THE GOVERNING BODY OF THE COUNTY SHALL NOTIFY  
28 THE COMPTROLLER OF THE ADJUSTED PERCENTAGES BEFORE THE BEGINNING OF  
29 THE FISCAL YEAR.

30 (3) IN DETERMINING WHETHER SPECIAL CIRCUMSTANCES EXIST THAT  
31 JUSTIFY A DISTRIBUTION TO A MUNICIPAL CORPORATION GREATER THAN THE  
32 AMOUNT DETERMINED UNDER SUBSECTION (A) OF THIS SECTION, THE GOVERNING  
33 BODY OF THE COUNTY SHALL CONSIDER:

34 (I) THE SERVICES AND PROGRAMS THAT ARE PERFORMED BY THE  
35 MUNICIPAL CORPORATION INSTEAD OF SIMILAR COUNTY SERVICES AND PROGRAMS;

36 (II) THE EXTENT THAT THE SIMILAR SERVICES AND PROGRAMS  
37 ARE FUNDED BY INCOME TAX REVENUES; AND

38 (III) ANY OTHER RELEVANT CIRCUMSTANCES.

1 (4) A MUNICIPAL CORPORATION SHALL SUBMIT A REQUEST FOR AN  
2 ENHANCED DISTRIBUTION OF INCOME TAX REVENUES TO THE MUNICIPAL  
3 CORPORATION UNDER THIS SECTION FOR THE NEXT FISCAL YEAR, TOGETHER WITH  
4 ANY INFORMATION SUPPORTING THE REQUEST, AT LEAST 180 DAYS BEFORE THE  
5 DATE THAT THE ANNUAL COUNTY BUDGET FOR THE FISCAL YEAR IS REQUIRED TO  
6 BE APPROVED.

7 (5) (I) AT LEAST 90 DAYS BEFORE THE DATE THAT THE ANNUAL  
8 COUNTY BUDGET IS REQUIRED TO BE APPROVED, THE COUNTY AND ANY MUNICIPAL  
9 CORPORATION SUBMITTING A REQUEST UNDER PARAGRAPH (4) OF THIS  
10 SUBSECTION SHALL DESIGNATE APPROPRIATE POLICY AND FISCAL OFFICERS OR  
11 REPRESENTATIVES TO MEET AND DISCUSS THE NATURE OF THE REQUEST,  
12 RELEVANT FINANCIAL INFORMATION OF THE COUNTY AND MUNICIPAL  
13 CORPORATION, AND THE SCOPE AND NATURE OF SERVICES PROVIDED BY BOTH  
14 ENTITIES.

15 (II) A MEETING HELD UNDER SUBPARAGRAPH (I) OF THIS  
16 PARAGRAPH MAY BE HELD BY THE COUNTY REPRESENTATIVES JOINTLY WITH  
17 REPRESENTATIVES FROM MORE THAN ONE MUNICIPAL CORPORATION.

18 (6) (I) AT OR BEFORE THE TIME THE PROPOSED COUNTY BUDGET IS  
19 RELEASED TO THE PUBLIC, THE COUNTY COMMISSIONERS, THE COUNTY EXECUTIVE  
20 OF A CHARTER COUNTY, OR THE COUNTY COUNCIL OF A CHARTER COUNTY WITHOUT  
21 A COUNTY EXECUTIVE SHALL SUBMIT A STATEMENT OF INTENT TO EACH  
22 MUNICIPAL CORPORATION THAT HAS MADE A REQUEST UNDER THIS SUBSECTION.

23 (II) THE STATEMENT OF INTENT SHALL CONTAIN:

24 1. AN EXPLANATION OF THE LEVEL OF DISTRIBUTION  
25 PROPOSED FOR THE MUNICIPAL CORPORATION;

26 2. A DESCRIPTION OF THE INFORMATION OR PROCESS USED  
27 TO DETERMINE THE LEVEL OF THE DISTRIBUTION PROPOSED; AND

28 3. AN INDICATION THAT, BEFORE THE BUDGET IS ENACTED,  
29 APPROPRIATE OFFICIALS OR REPRESENTATIVES OF THE MUNICIPAL CORPORATION  
30 ARE ENTITLED TO APPEAR BEFORE THE COUNTY GOVERNING BODY TO DISCUSS OR  
31 CONTEST THE LEVEL OF THE PROPOSED DISTRIBUTION.

32 (7) REPRESENTATIVES OF EACH MUNICIPAL CORPORATION IN THE  
33 COUNTY REQUESTING AN ENHANCED DISTRIBUTION UNDER THIS SECTION SHALL  
34 BE AFFORDED AN OPPORTUNITY TO TESTIFY BEFORE THE COUNTY GOVERNING  
35 BODY DURING NORMALLY SCHEDULED HEARINGS ON THE COUNTY'S PROPOSED  
36 BUDGET.

37 (8) NOTWITHSTANDING ANY OTHER PROVISIONS OF THIS SUBSECTION:

38 (I) A COUNTY AND ONE OR MORE MUNICIPAL CORPORATIONS MAY  
39 ENTER INTO AN AGREEMENT SETTING DIFFERENT TERMS OR TIMING FOR

1 NEGOTIATIONS, CALCULATIONS, OR APPROVAL OF AN ENHANCED DISTRIBUTION  
2 UNDER THIS SECTION; AND

3 (II) A COUNTY MAY PROVIDE AN ENHANCED DISTRIBUTION UNDER  
4 THIS SECTION TO A MUNICIPAL CORPORATION THAT DOES NOT MAKE A REQUEST IN  
5 THE FASHION DESCRIBED IN THIS SECTION.

6 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
7 October 1, 2005.