
By: **Delegates Healey, Boschert, Cryor, C. Davis, Goodwin, Gordon, Heller,
Hixson, Howard, King, Marriott, McKee, Patterson, and Ross**

Introduced and read first time: February 9, 2006

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax Modification and Sales Tax Exemption Evaluation Act**

3 FOR the purpose of establishing a legislative review and evaluation process for
4 subtraction modifications and credits under the income tax and exemptions
5 under the sales and use tax; establishing dates for review and other legislative
6 action with regard to certain subtraction modifications and credits under the
7 income tax, and exemptions under the sales and use tax; providing for
8 termination of a subtraction modification or credit under the income tax or an
9 exemption under the sales and use tax under certain circumstances; and
10 generally relating to a legislative review and evaluation process for subtraction
11 modifications and credits under the income tax and exemptions under the sales
12 and use tax.

13 BY adding to

14 Article - Tax - General

15 Section 1-301 through 1-311, inclusive, to be under the new subtitle "Subtitle 3.

16 Income Tax Modification and Sales Tax Exemption Evaluation Act"

17 Annotated Code of Maryland

18 (2004 Replacement Volume and 2005 Supplement)

19 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

20 MARYLAND, That the Laws of Maryland read as follows:

21 **Article - Tax - General**

22 **SUBTITLE 3. INCOME TAX MODIFICATION AND SALES TAX EXEMPTION EVALUATION**
23 **ACT.**

24 1-301.

25 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS
26 INDICATED.

1 (B) "EVALUATION" MEANS THE PROCESS OF LEGISLATIVE REVIEW OF A
2 MODIFICATION OR TAX EXEMPTION FOR WHICH THIS SUBTITLE PROVIDES.

3 (C) "EVALUATION COMMITTEE" MEANS A COMMITTEE THAT IS APPOINTED TO
4 CARRY OUT AN EVALUATION.

5 (D) "EVALUATION DATE" MEANS THE DATE ON WHICH AN EVALUATION OF A
6 TAX MODIFICATION OR TAX EXEMPTION IS TO BE COMPLETED.

7 (E) "TAX EXEMPTION" MEANS AN EXEMPTION FROM THE SALES AND USE TAX
8 UNDER TITLE 11, SUBTITLE 2 OF THIS ARTICLE.

9 (F) "TAX MODIFICATION" MEANS:

10 (1) AN AMOUNT SUBTRACTED FROM:

11 (I) FEDERAL ADJUSTED GROSS INCOME TO DETERMINE
12 MARYLAND ADJUSTED GROSS INCOME OF AN INDIVIDUAL UNDER TITLE 10,
13 SUBTITLE 2, PART II OF THIS ARTICLE; OR

14 (II) FEDERAL TAXABLE INCOME TO DETERMINE MARYLAND
15 MODIFIED INCOME OF A CORPORATION UNDER TITLE 10, SUBTITLE 3, PART II OF
16 THIS ARTICLE; OR

17 (2) A CREDIT ALLOWED AGAINST THE INCOME TAX UNDER TITLE 10,
18 SUBTITLE 7 OF THIS ARTICLE, NOT INCLUDING THE CREDIT ALLOWED UNDER §
19 10-701 OF THE ARTICLE.

20 1-302.

21 THE PURPOSES OF THIS SUBTITLE ARE TO:

22 (1) ESTABLISH A SYSTEM OF LEGISLATIVE REVIEW THAT WILL
23 DETERMINE WHETHER A TAX MODIFICATION OR TAX EXEMPTION IS NECESSARY FOR
24 THE PUBLIC INTEREST; AND

25 (2) ENSURE THAT THE LEGISLATIVE REVIEW TAKES PLACE BY
26 ESTABLISHING, BY STATUTE, DATES FOR REVIEW AND OTHER LEGISLATIVE ACTION.
27 1-303.

28 (A) ON OR BEFORE JULY 1, 2008, AN EVALUATION SHALL BE MADE OF THE
29 FOLLOWING TAX MODIFICATIONS:

30 (1) THE CREDITS UNDER:

31 (I) § 10-702 OF THIS ARTICLE (WAGES PAID IN AN ENTERPRISE
32 ZONE);

33 (II) § 10-703 OF THIS ARTICLE (TAX PAID BY AN INDIVIDUAL TO
34 ANOTHER STATE);

1 (III) § 10-704 OF THIS ARTICLE (EARNED INCOME);

2 (IV) § 10-704.1 OF THIS ARTICLE (FOR PURCHASE OF
3 MARYLAND-MINED COAL);

4 (V) § 10-704.3 OF THIS ARTICLE (WAGES AND CHILD CARE FOR
5 QUALIFIED EMPLOYMENT OPPORTUNITY EMPLOYEES);

6 (VI) § 10-704.4 OF THIS ARTICLE (JOB CREATION);

7 (VII) § 10-704.5 OF THIS ARTICLE (CERTIFIED HERITAGE
8 STRUCTURE REHABILITATION);

9 (VIII) § 10-704.6 OF THIS ARTICLE (NEIGHBORHOOD AND
10 COMMUNITY ASSISTANCE CONTRIBUTIONS);

11 (IX) § 10-704.8 OF THIS ARTICLE (NEW JOB CREATING BUSINESSES);
12 AND

13 (X) § 10-704.9 OF THIS ARTICLE (COMMERCIAL FERTILIZER COSTS);
14 AND

15 (2) THE SUBTRACTION MODIFICATIONS UNDER:

16 (I) § 10-207(B) OF THIS ARTICLE (DISTRIBUTIONS OF
17 ACCUMULATED INCOME);

18 (II) § 10-207(C) OF THIS ARTICLE (DIVIDENDS AND INTEREST FROM
19 U.S. OBLIGATIONS);

20 (III) § 10-207(D) OF THIS ARTICLE (FIRE AND POLICE VEHICLES);

21 (IV) § 10-207(E) OF THIS ARTICLE (FIRE FIGHTER AND POLICE
22 DISABILITY INCOME);

23 (V) § 10-207(G) OF THIS ARTICLE (LENGTH OF SERVICE AWARD);

24 (VI) § 10-207(K) OF THIS ARTICLE (RELOCATION AND ASSISTANCE
25 PAYMENTS);

26 (VII) § 10-207(S) OF THIS ARTICLE (QUALIFIED HIGHER EDUCATION
27 EXPENSES); AND

28 (VIII) § 10-207(T) OF THIS ARTICLE (HOLOCAUST MONIES).

29 (B) ON OR BEFORE JULY 1, 2009, AN EVALUATION SHALL BE MADE OF THE
30 FOLLOWING TAX MODIFICATIONS:

31 (1) THE CREDITS UNDER:

- 1 (I) § 10-707 OF THIS ARTICLE (RESIDENTIAL REAL ESTATE
2 PROPERTY);
- 3 (II) § 10-708 OF THIS ARTICLE (TELECOMMUNICATION BUSINESS);
- 4 (III) § 10-709 OF THIS ARTICLE (LOW INCOME);
- 5 (IV) § 10-710 OF THIS ARTICLE (LONG-TERM CARE INSURANCE); AND
- 6 (V) § 10-712 OF THIS ARTICLE (PUBLIC UTILITY COMPANIES
7 SELLING ELECTRICITY); AND

8 (2) THE SUBTRACTION MODIFICATIONS UNDER:

- 9 (I) § 10-207(V) OF THIS ARTICLE (ARTISTIC WORK);
- 10 (II) § 10-208(B) OF THIS ARTICLE (ADOPTION EXPENSES);
- 11 (III) § 10-208(C) OF THIS ARTICLE (BLINDNESS-RELATED EXPENSES);
- 12 (IV) § 10-208(D) OF THIS ARTICLE (CONSERVATION TILLAGE
13 EQUIPMENT EXPENSES);
- 14 (V) § 10-208(E) OF THIS ARTICLE (DEPENDENT CARE AND
15 HOUSEHOLD EXPENSES);
- 16 (VI) § 10-208(F) OF THIS ARTICLE (DONATED ARTWORK);
- 17 (VII) § 10-208(G) OF THIS ARTICLE (DONATED FARM PRODUCTS);
18 AND
- 19 (VIII) § 10-208(H) OF THIS ARTICLE (HISTORIC PROPERTY
20 PRESERVATION EXPENSES).

21 (C) ON OR BEFORE JULY 1, 2010, AN EVALUATION SHALL BE MADE OF THE
22 FOLLOWING TAX MODIFICATIONS:

23 (1) THE CREDITS UNDER:

- 24 (I) § 10-713 OF THIS ARTICLE (MULTIJURISDICTIONAL ELECTRIC
25 COMPANIES);
- 26 (II) § 10-714 OF THIS ARTICLE (ONE MARYLAND ECONOMIC
27 DEVELOPMENT);
- 28 (III) § 10-715 OF THIS ARTICLE (EMPLOYEE COMMUTER BENEFITS);
- 29 (IV) § 10-716 OF THIS ARTICLE (CHILD CARE OR DEPENDENT CARE);
- 30 (V) § 10-717 OF THIS ARTICLE (CLASSROOM TEACHER ADVANCED
31 EDUCATION);

1 (VI) § 10-718 OF THIS ARTICLE (LONG-TERM CARE PREMIUMS);

2 (VII) § 10-721 OF THIS ARTICLE (QUALIFIED RESEARCH AND
3 DEVELOPMENT EXPENSES); AND

4 (VIII) § 10-722 OF THIS ARTICLE (GREEN BUILDINGS); AND

5 (2) THE SUBTRACTION MODIFICATIONS UNDER:

6 (I) § 10-208(I-1) OF THIS ARTICLE (VOLUNTEER FIRE, RESCUE, OR
7 EMERGENCY MEDICAL SERVICES MEMBERSHIP);

8 (II) § 10-208(J) OF THIS ARTICLE (VOLUNTEER TRAVEL EXPENSES);

9 (III) § 10-208(K) OF THIS ARTICLE (SALARY OR WAGE EXPENSES FOR
10 TARGETED JOBS);

11 (IV) § 10-208(L) OF THIS ARTICLE (VOLUNTEER POLICE AUXILIARY
12 OR RESERVE VOLUNTEER);

13 (V) § 10-208(M) OF THIS ARTICLE (EXPENSES TO BUY POULTRY OR
14 LIVESTOCK MANURE SPREADING EQUIPMENT);

15 (VI) § 10-208(N) OF THIS ARTICLE (ADVANCE PAYMENTS OF
16 TUITION);

17 (VII) § 10-208(O) OF THIS ARTICLE (CONTRIBUTIONS TO
18 INVESTMENT ACCOUNTS); AND

19 (VIII) § 10-208(P) OF THIS ARTICLE (ELEVATOR HANDRAILS IN
20 HEALTH CARE FACILITIES).

21 (D) ON OR BEFORE JULY 1, 2011, AN EVALUATION SHALL BE MADE OF THE
22 FOLLOWING TAX MODIFICATIONS AND TAX EXEMPTIONS:

23 (1) THE CREDITS UNDER:

24 (I) § 10-723 OF THIS ARTICLE (PRESERVATION AND CONSERVATION
25 EASEMENTS);

26 (II) § 10-724 OF THIS ARTICLE (AQUACULTURE OYSTER FLOATS);
27 AND

28 (III) § 10-725 OF THIS ARTICLE (BIOTECHNOLOGY INVESTMENT
29 INCENTIVE); AND

30 (2) THE EXEMPTION FROM THE SALES AND USE TAX UNDER:

31 (I) § 11-201 OF THIS ARTICLE (AGRICULTURAL PURPOSES AND
32 PRODUCTS);

- 1 (II) § 11-202 OF THIS ARTICLE (CYLINDER DEMURRAGE CHARGE);
- 2 (III) § 11-204 OF THIS ARTICLE (EXEMPT ORGANIZATIONS);
- 3 (IV) § 11-205 OF THIS ARTICLE (FLAGS);
- 4 (V) § 11-206 OF THIS ARTICLE (FOOD);
- 5 (VI) § 11-209 OF THIS ARTICLE (CASUAL AND ISOLATED SALE,
6 DISTRIBUTION OR TRANSFER OF TANGIBLE PERSONAL PROPERTY);
- 7 (VII) § 11-210 OF THIS ARTICLE (MACHINERY AND EQUIPMENT);
- 8 (VIII) § 11-211 OF THIS ARTICLE (MEDICINE AND MEDICAL
9 SUPPLIES, RECORDS, AND AIDS);
- 10 (IX) § 11-212 OF THIS ARTICLE (MINING PURPOSE);
- 11 (X) § 11-213 OF THIS ARTICLE (MOBILE HOMES);
- 12 (XI) § 11-214.1 OF THIS ARTICLE (PRECIOUS METAL BULLION AND
13 COINS);
- 14 (XII) § 11-215 OF THIS ARTICLE (PRINTING USE AND PUBLICATIONS);
- 15 (XIII) § 11-217 OF THIS ARTICLE (RESEARCH AND DEVELOPMENT
16 PURPOSE);
- 17 (XIV) § 11-218 OF THIS ARTICLE (SEAFOOD HARVESTING PURPOSES);
- 18 (XV) § 11-219 OF THIS ARTICLE (SERVICES);
- 19 (XVI) § 11-225 OF THIS ARTICLE (COMPUTER PROGRAMS);
- 20 (XVII) § 11-226 OF THIS ARTICLE (APPLIANCES MEETING ENERGY
21 EFFICIENCY STANDARDS); AND
- 22 (XVIII) § 11-227 OF THIS ARTICLE (PROPERTY OR SERVICE USED
23 DIRECTLY IN FILM PRODUCTION ACTIVITY).

24 1-304.

25 (A) EVALUATION OF A TAX MODIFICATION OR TAX EXEMPTION SHALL BE
26 COMPLETED BY AN EVALUATION COMMITTEE APPOINTED JOINTLY BY THE
27 PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE.

28 (B) EACH EVALUATION COMMITTEE FOR A TAX MODIFICATION OR TAX
29 EXEMPTION SHALL BE APPOINTED ON OR BEFORE MAY 31 OF THE YEAR BEFORE THE
30 EVALUATION DATE OF THAT TAX MODIFICATION OR TAX EXEMPTION.

1 (C) AN EVALUATION COMMITTEE SHALL INCLUDE AT LEAST ONE MEMBER OF
2 THE SENATE BUDGET AND TAXATION COMMITTEE AND ONE MEMBER OF THE HOUSE
3 COMMITTEE ON WAYS AND MEANS.

4 1-305.

5 ON OR BEFORE JUNE 30 OF THE YEAR BEFORE THE EVALUATION DATE OF A TAX
6 MODIFICATION OR TAX EXEMPTION, EACH EVALUATION COMMITTEE FOR THAT TAX
7 MODIFICATION OR TAX EXEMPTION SHALL:

8 (1) CONSULT WITH:

9 (I) THE DEPARTMENT OF BUDGET AND MANAGEMENT;

10 (II) THE DEPARTMENT OF LEGISLATIVE SERVICES; AND

11 (III) THE COMPTROLLER; AND

12 (2) PREPARE A PLAN FOR THE EVALUATION.

13 1-306.

14 DURING AN EVALUATION, THE COMPTROLLER AND THE DEPARTMENT OF
15 BUDGET AND MANAGEMENT SHALL:

16 (1) PROVIDE PROMPTLY ANY INFORMATION THAT THE DEPARTMENT OF
17 LEGISLATIVE SERVICES OR AN EVALUATION COMMITTEE REQUESTS; AND

18 (2) OTHERWISE COOPERATE WITH THE DEPARTMENT OF LEGISLATIVE
19 SERVICES AND THE EVALUATION COMMITTEE.

20 1-307.

21 (A) (1) SUBJECT TO § 2-1312 OF THE STATE GOVERNMENT ARTICLE, ON OR
22 BEFORE OCTOBER 31 OF THE YEAR BEFORE THE EVALUATION DATE OF A TAX
23 MODIFICATION OR TAX EXEMPTION, THE DEPARTMENT OF LEGISLATIVE SERVICES
24 SHALL SUBMIT TO THE GENERAL ASSEMBLY AN EVALUATION REPORT ON THE TAX
25 MODIFICATION OR TAX EXEMPTION.

26 (2) THE DEPARTMENT OF LEGISLATIVE SERVICES SHALL MAKE COPIES
27 OF THE REPORT AVAILABLE TO THE PUBLIC.

28 (B) THE REPORT REQUIRED UNDER SUBSECTION (A) OF THIS SECTION SHALL
29 DISCUSS:

30 (1) THE PURPOSE FOR WHICH THE TAX MODIFICATION OR TAX
31 EXEMPTION WAS ESTABLISHED;

32 (2) WHETHER THE ORIGINAL INTENT OF THE TAX MODIFICATION OR
33 TAX EXEMPTION IS STILL APPROPRIATE;

1 (3) WHETHER THE TAX MODIFICATION OR TAX EXEMPTION IS MEETING
2 ITS OBJECTIVES;

3 (4) WHETHER THE PURPOSES OF THE TAX MODIFICATION OR TAX
4 EXEMPTION COULD BE MORE EFFICIENTLY AND EFFECTIVELY CARRIED OUT
5 THROUGH ALTERNATIVE METHODS;

6 (5) THE COSTS OF PROVIDING THE TAX MODIFICATION OR TAX
7 EXEMPTION, INCLUDING THE ADMINISTRATIVE COST TO THE STATE AND LOST
8 REVENUES TO THE STATE AND LOCAL GOVERNMENTS; AND

9 (6) THE NUMBER OF THE BENEFICIARIES OF THE TAX MODIFICATION
10 OR TAX EXEMPTION AND DISTRIBUTION OF THE BENEFIT OF THE TAX
11 MODIFICATION OR TAX EXEMPTION BY INCOME CLASS.

12 1-308.

13 ON OR BEFORE DECEMBER 14 OF THE YEAR BEFORE THE EVALUATION DATE OF
14 A TAX MODIFICATION OR TAX EXEMPTION, THE EVALUATION COMMITTEE SHALL
15 HOLD A PUBLIC HEARING TO RECEIVE, FROM THE COMPTROLLER AND THE PUBLIC,
16 TESTIMONY REGARDING THE EVALUATION REPORT.

17 1-309.

18 (A) SUBJECT TO § 2-1312 OF THE STATE GOVERNMENT ARTICLE, ON OR
19 BEFORE THE 20TH DAY OF THE REGULAR SESSION OF THE GENERAL ASSEMBLY IN
20 THE YEAR OF THE EVALUATION DATE OF A TAX MODIFICATION OR TAX EXEMPTION,
21 THE EVALUATION COMMITTEE FOR THE TAX MODIFICATION OR TAX EXEMPTION
22 SHALL SUBMIT A REPORT TO THE GENERAL ASSEMBLY.

23 (B) (1) THE REPORT SHALL RECOMMEND WHETHER THE TAX
24 MODIFICATION OR TAX EXEMPTION SHOULD BE REESTABLISHED, WITH OR WITHOUT
25 CHANGES, OR ALLOWED TO TERMINATE.

26 (2) THE REPORT SHALL BE ACCOMPANIED BY EACH BILL THAT IS
27 NEEDED TO ACCOMPLISH THE RECOMMENDATIONS IN THE REPORT.

28 1-310.

29 (A) NOTWITHSTANDING ANY OTHER PROVISION OF LAW, IF A TAX
30 MODIFICATION OR TAX EXEMPTION IS NOT REESTABLISHED BY LAW ON OR BEFORE
31 THE DATE FOR ITS EVALUATION UNDER § 1-303 OF THIS SUBTITLE, IT SHALL
32 TERMINATE.

33 (B) THE REESTABLISHMENT OF A TAX MODIFICATION OR TAX EXEMPTION
34 DESIGNATED FOR EVALUATION UNDER THIS SUBTITLE IS FOR A 10-YEAR PERIOD
35 AND IS SUBJECT TO EVALUATION AGAIN 10 YEARS AFTER THE PREVIOUS
36 EVALUATION, UNLESS THE LAW THAT PROVIDES FOR REESTABLISHMENT SETS
37 ANOTHER PERIOD.

1 (C) AFTER THE PERIOD OF REESTABLISHMENT EXPIRES, THE TAX
2 MODIFICATION OR TAX EXEMPTION TERMINATES AS PROVIDED BY LAW UNLESS THE
3 TAX MODIFICATION OR TAX EXEMPTION IS REESTABLISHED AGAIN.

4 1-311.

5 THIS SUBTITLE MAY BE CITED AS THE "INCOME TAX MODIFICATION AND SALES
6 TAX EXEMPTION EVALUATION ACT".

7 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
8 July 1, 2006.