

# HOUSE BILL 393

Q4, R2

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By: **Delegates Hixson, Gilchrist, N. King, Ross, Stukes, and Walker**

Introduced and read first time: February 2, 2007

Assigned to: Ways and Means

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## A BILL ENTITLED

1 AN ACT concerning

2 **Sales and Use Tax – Rates – Mass Transit Funding**

3 FOR the purpose of creating a Mass Transit Account within the Transportation Trust  
4 Fund; providing for the distribution of certain sales and use tax revenue to the  
5 Mass Transit Account; pledging certain taxes collected to pay the principal and  
6 interest on certain bonds; altering the rate of the sales and use tax; limiting the  
7 use of the Mass Transit Account to funding certain transit expenses; providing  
8 that certain revenues distributed to the Mass Transit Account are in addition to  
9 and may not supplant certain other funds for mass transit; stating the intent of  
10 the General Assembly that the Washington Metropolitan Area Transit  
11 Authority Board of Directors adopt certain financial and planning business  
12 practices; making a technical change; and generally relating to the rate of the  
13 sales and use tax and the dedication of certain sales and use tax revenues to  
14 mass transit funding.

15 BY repealing

16 Article – Transportation

17 The subtitle designation “Subtitle 4. Transportation Revenue Sharing Fund” of  
18 Title 3

19 Annotated Code of Maryland

20 (2001 Replacement Volume and 2006 Supplement)

21 BY adding to

22 Article – Tax – General

23 Section 2–1302.2

24 Annotated Code of Maryland

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (2004 Replacement Volume and 2006 Supplement)

2 BY repealing and reenacting, with amendments,  
3 Article – Tax – General  
4 Section 2–1303, 11–104(a) and (b), and 11–301  
5 Annotated Code of Maryland  
6 (2004 Replacement Volume and 2006 Supplement)

7 BY repealing and reenacting, with amendments,  
8 Article – Transportation  
9 Section 3–215(b) and 3–216(c)  
10 Annotated Code of Maryland  
11 (2001 Replacement Volume and 2006 Supplement)

12 BY repealing and reenacting, without amendments,  
13 Article – Transportation  
14 Section 3–216(a) and (b)  
15 Annotated Code of Maryland  
16 (2001 Replacement Volume and 2006 Supplement)

17 BY adding to  
18 Article – Transportation  
19 Section 3–401 to be under the new subtitle “Subtitle 4. Mass Transit Account”  
20 Annotated Code of Maryland  
21 (2001 Replacement Volume and 2006 Supplement)

22 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
23 MARYLAND, That the subtitle designation “Subtitle 4. Transportation Revenue  
24 Sharing Fund” of Title 3 of Article – Transportation of the Annotated Code of  
25 Maryland be repealed.

26 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
27 read as follows:

28 **Article – Tax – General**

29 **2–1302.2.**

30 **BEGINNING WITH THE FISCAL YEAR THAT BEGINS ON JULY 1, 2007, AND**  
31 **FOR EACH FISCAL YEAR THEREAFTER, AFTER MAKING THE DISTRIBUTION**  
32 **REQUIRED UNDER §§ 2–1301 THROUGH 2–1302.1 OF THIS SUBTITLE, THE**  
33 **COMPTROLLER SHALL DISTRIBUTE MONTHLY 8.33% OF THE REMAINING SALES**

1 **AND USE TAX REVENUE TO THE MASS TRANSIT ACCOUNT OF THE**  
2 **TRANSPORTATION TRUST FUND ESTABLISHED UNDER § 3-401 OF THE**  
3 **TRANSPORTATION ARTICLE.**

4 2-1303.

5 After making the distributions required under §§ 2-1301 through [2-1302.1]  
6 **2-1302.2** of this subtitle, the Comptroller shall pay:

7 (1) revenues from the hotel surcharge into the Dorchester County  
8 Economic Development Fund established under Article 83A, § 5-216 of the Code; and

9 (2) the remaining sales and use tax revenue into the General Fund of  
10 the State.

11 11-104.

12 (a) Except as otherwise provided in this section, the sales and use tax rate is:

13 (1) for a taxable price of less than \$1:

14 (i) 1 cent if the taxable price is 20 cents; [and]

15 (ii) [1 cent for each additional 20 cents or part of 20 cents; and]  
16 **2 CENTS IF THE TAXABLE PRICE IS AT LEAST 21 CENTS BUT LESS THAN 34**  
17 **CENTS;**

18 **(III) 3 CENTS IF THE TAXABLE PRICE IS AT LEAST 34 CENTS**  
19 **BUT LESS THAN 51 CENTS;**

20 **(IV) 4 CENTS IF THE TAXABLE PRICE IS AT LEAST 51 CENTS**  
21 **BUT LESS THAN 67 CENTS;**

22 **(V) 5 CENTS IF THE TAXABLE PRICE IS AT LEAST 67 CENTS**  
23 **BUT LESS THAN 84 CENTS; AND**

24 **(VI) 6 CENTS IF THE TAXABLE PRICE IS AT LEAST 84 CENTS;**  
25 **AND**

26 (2) for a taxable price of \$1 or more:

1 (i) [5] **6** cents for each exact dollar; and

2 (ii) [1 cent for each 20 cents or part of 20 cents] **FOR THAT**  
 3 **PART OF A DOLLAR** in excess of an exact dollar:

4 **1. 1 CENT IF THE EXCESS OVER AN EXACT DOLLAR IS**  
 5 **AT LEAST 1 CENT BUT LESS THAN 17 CENTS;**

6 **2. 2 CENTS IF THE EXCESS OVER AN EXACT DOLLAR**  
 7 **IS AT LEAST 17 CENTS BUT LESS THAN 34 CENTS;**

8 **3. 3 CENTS IF THE EXCESS OVER AN EXACT DOLLAR**  
 9 **IS AT LEAST 34 CENTS BUT LESS THAN 51 CENTS;**

10 **4. 4 CENTS IF THE EXCESS OVER AN EXACT DOLLAR**  
 11 **IS AT LEAST 51 CENTS BUT LESS THAN 67 CENTS;**

12 **5. 5 CENTS IF THE EXCESS OVER AN EXACT DOLLAR**  
 13 **IS AT LEAST 67 CENTS BUT LESS THAN 84 CENTS; AND**

14 **6. 6 CENTS IF THE EXCESS OVER AN EXACT DOLLAR**  
 15 **IS AT LEAST 84 CENTS.**

16 (b) If a retail sale of tangible personal property or a taxable service is made  
 17 through a vending or other self-service machine, the sales and use tax rate is [5%]  
 18 **6%**, applied to [95.25%] **94.5%** of the gross receipts from the vending machine sales.

19 11-301.

20 The sales and use tax is computed on:

21 (1) the taxable price of each separate sale;

22 (2) if a combined sale is made, the combined taxable price of all retail  
 23 sales on the same occasion by the same vendor to the same buyer; or

24 (3) if retail sales of tangible personal property or a taxable service are  
 25 made through vending or other self-service machines, [95.25%] **94.5%** of the gross  
 26 receipts from the retail sales.

27 **Article - Transportation**

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 of the  
8 Tax – General Article;

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

11 (4) The sales and use tax revenues distributed under § 2-1302.1 of the  
12 Tax – General Article; **AND**

13 **(5) THE SALES AND USE TAX REVENUES DISTRIBUTED UNDER**  
14 **§ 2-1302.2 OF THE TAX – GENERAL ARTICLE.**

15 3-216.

16 (a) There is a Transportation Trust Fund for the Department.

17 (b) Except as otherwise expressly provided by statute, there shall be credited  
18 to the Transportation Trust Fund for the account of the Department all taxes, fees,  
19 charges, and revenues collected or received by or paid, appropriated, or credited to the  
20 account of the Department or any of its units in the exercise of their rights, powers,  
21 duties, or obligations, including the cash proceeds of the sale of consolidated  
22 transportation bonds, notes, or other evidences of obligation issued by the  
23 Department, any General Fund appropriations, and the proceeds of any State loan or  
24 federal grant made for transportation purposes.

25 (c) (1) There shall be maintained in the Transportation Trust Fund one or  
26 more sinking fund accounts to which shall be credited and from which shall be paid,  
27 from the proceeds of the taxes levied and imposed for that purpose or from any other  
28 funds of the Department, amounts sufficient at all times to meet the debt service on  
29 all bonds of prior issues and consolidated transportation bonds from time to time  
30 outstanding and unpaid.

1           (2)   (i)   The Gasoline and Motor Vehicle Revenue Account, the  
2 Driver Education Account, [and] the Motorcycle Safety Program Account, **AND THE**  
3 **MASS TRANSIT ACCOUNT** shall be maintained in the Transportation Trust Fund.

4           (ii)   In each fiscal year, the Department shall budget from  
5 federal funds available to the Department, other funds in the Transportation Trust  
6 Fund, and any other funds available to the Department, an amount sufficient to fund  
7 projects and programs determined by the Secretary to be necessary to achieve the  
8 bicycle and pedestrian transportation goals identified for the fiscal year under Title 2,  
9 Subtitle 6 of this article.

10                                   **SUBTITLE 4. MASS TRANSIT ACCOUNT.**

11   **3-401.**

12           **(A)   THERE IS A MASS TRANSIT ACCOUNT IN THE TRANSPORTATION**  
13 **TRUST FUND.**

14           **(B)   ALL REVENUES DISTRIBUTED TO THE TRANSPORTATION TRUST**  
15 **FUND UNDER § 2-1302.2 OF THE TAX – GENERAL ARTICLE SHALL BE CREDITED**  
16 **TO THE MASS TRANSIT ACCOUNT.**

17           **(C)   FUNDS FROM THE MASS TRANSIT ACCOUNT MAY BE USED TO FUND**  
18 **ONLY:**

19                   **(1)   CAPITAL AND OPERATING EXPENSES OF THE WASHINGTON**  
20 **METROPOLITAN AREA TRANSIT AUTHORITY (WMATA), INCLUDING**  
21 **ADDITIONAL FUNDING FOR THE MAINTENANCE AND IMPROVEMENT OF THE**  
22 **TRANSPORTATION SYSTEM OF WMATA CONSISTENT WITH:**

23                                   **(I)   LEGISLATION ENACTED BY THE UNITED STATES**  
24 **CONGRESS PROVIDING ADDITIONAL FEDERAL GRANTS TO WMATA FOR THE**  
25 **MAINTENANCE AND IMPROVEMENT OF THE TRANSPORTATION SYSTEM; AND**

26                                   **(II)   LEGISLATION PASSED BY THE COUNCIL OF THE**  
27 **DISTRICT OF COLUMBIA AND THE VIRGINIA GENERAL ASSEMBLY DEDICATING**  
28 **REVENUES FOR THE SAME PURPOSE;**

29                   **(2)   CAPITAL AND OPERATING EXPENSES OF THE MARYLAND**  
30 **TRANSIT ADMINISTRATION; AND**

1           **(3) GRANTS TO LOCAL JURISDICTIONS FOR MASS TRANSIT**  
2 **CAPITAL AND OPERATING EXPENSES.**

3           **(D) (1) THIS SECTION MAY NOT BE CONSTRUED TO REQUIRE THAT**  
4 **THE MASS TRANSIT ACCOUNT BE THE SOLE SOURCE OF FUNDING FOR THE**  
5 **CAPITAL AND OPERATING EXPENSES OF THE MARYLAND TRANSIT**  
6 **ADMINISTRATION, THE CAPITAL AND OPERATING EXPENSES OF WMATA, OR**  
7 **GRANTS TO LOCAL JURISDICTIONS FOR MASS TRANSIT CAPITAL AND**  
8 **OPERATING EXPENSES.**

9           **(2) THE REVENUES CREDITED TO THE MASS TRANSIT ACCOUNT**  
10 **UNDER THIS SECTION ARE IN ADDITION TO AND MAY NOT SUPPLANT ANY FUNDS**  
11 **WITHIN THE TRANSPORTATION TRUST FUND NECESSARY TO PAY THE**  
12 **PROJECTED MASS TRANSIT OPERATING AND CAPITAL COSTS IDENTIFIED IN THE**  
13 **DEPARTMENT'S APPROVED CONSOLIDATED TRANSPORTATION PROGRAM FOR**  
14 **FISCAL YEARS 2008 THROUGH 2013.**

15           SECTION 3. AND BE IT FURTHER ENACTED, That it is the intent of the  
16 General Assembly that the Washington Metropolitan Area Transit Authority  
17 (WMATA) Board of Directors should study and adopt the following improvements to  
18 WMATA's financial planning and business practices:

19           (1) after consultation with stakeholders and the funding jurisdictions,  
20 complete a strategic plan that:

21                   (i) prioritizes goals for the transportation system and strategies to  
22 achieve these goals; and

23                   (ii) adopts performance measures and benchmarks, which are reported  
24 through the annual budget process to the Board and the funding jurisdictions;

25           (2) develop a long-range budget plan, outlining WMATA's long-term capital  
26 and operating needs and funding requirements; and

27           (3) adopt an annual 5-year service and financial plan that:

28                   (i) outlines planned transportation services;

29                   (ii) estimates the operating costs of planned service expansions; and

1                   (iii) includes detailed expenditure and revenue projections.

2                   SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect  
3                   July 1, 2007.