

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 873
 Ways and Means

(Delegate Buckel, *et al.*)

Task Force on Tax Policy, Reform, and Fairness

This bill establishes the Task Force on Tax Policy, Reform, and Fairness to be staffed by the Comptroller’s Office and the Department of Budget and Management. The task force must report its findings and recommendations to the Governor and General Assembly by December 1, 2020. **The bill takes effect July 1, 2019, and terminates June 30, 2021.**

Fiscal Summary

State Effect: General fund expenditures increase by \$128,300 in FY 2020 and by \$154,600 in FY 2021 for contractual staff to support the work of the task force. Expense reimbursements for task force members are assumed to be minimal and absorbable with existing resources. Revenues are not affected.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	128,300	154,600	0	0	0
Net Effect	(\$128,300)	(\$154,600)	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The task force must:

- study the current revenue structure of the State, including income, sales, corporate, motor fuel, excise, and property taxes; tax exemptions and credits; and fees;
- review the academic and economic research on state and local tax policy to assist in the overall assessment of efficacy, fairness, and competitiveness of the current revenue structure of the State;
- review the revenue structure of neighboring jurisdictions for the purpose of evaluating the regional competitiveness of the State's tax structure;
- consider the nature of the State's economy and the importance of service and professional businesses to economic development;
- consider whether or not the current revenue structure of the State should be reformed, modified, and modernized, including by considering (1) reforms that would mitigate any adverse effects on State taxpayers that are the result of the federal Tax Cuts and Jobs Act; (2) the imposition of a payroll tax, carried interest tax, or remote sales tax in order to offset reductions to the State's income tax and State and local property taxes; and (3) the encouragement of charitable contributions by taxpayers to State institutions; and
- make recommendations regarding changes to the State's revenue structure that (1) promote job growth and economic development; (2) ensure fairness, simplicity, and transparency; (3) provide a stable, balanced, and reliable revenue stream, while not reducing services; and (4) create a business-friendly environment.

Current Law/Background: Taxes are the primary source of revenues in Maryland. Individual income taxes are the single largest source of revenue, followed by the sales and use tax and transportation taxes (motor fuel tax, motor carrier tax, and motor vehicle excise tax). The balance of State tax revenues is derived from the corporate income tax and other business taxes, property and property transfer taxes, tobacco and alcoholic beverage taxes, estate and inheritance taxes, and miscellaneous taxes.

State Fiscal Effect: General fund expenditures increase by \$128,300 in fiscal 2020 and by \$154,600 in fiscal 2021. This estimate reflects the cost of hiring one contractual staff person at the Comptroller's Office with experience in taxation and economics to carry out the requirements of the bill, including an evaluation of the State's tax and fee system. The estimate includes a salary, fringe benefits, one-time start-up costs, and operating expenses for the duration of the task force. Expense reimbursements for task force members are assumed to be minimal and absorbable with existing resources.

Additional Information

Prior Introductions: HB 1352 of 2018 received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: None.

Information Source(s): Maryland Municipal League; Comptroller's Office; Department of Budget and Management; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - February 25, 2019
mm/hlb

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