

Peter Franchot

---

---

---

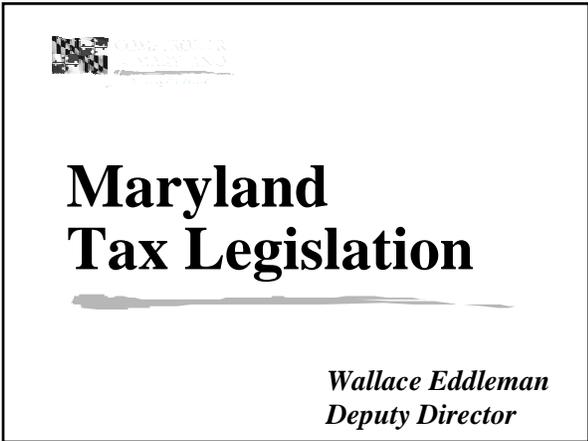
---

---

---

---

---



# Maryland Tax Legislation

*Wallace Eddleman  
Deputy Director*

---

---

---

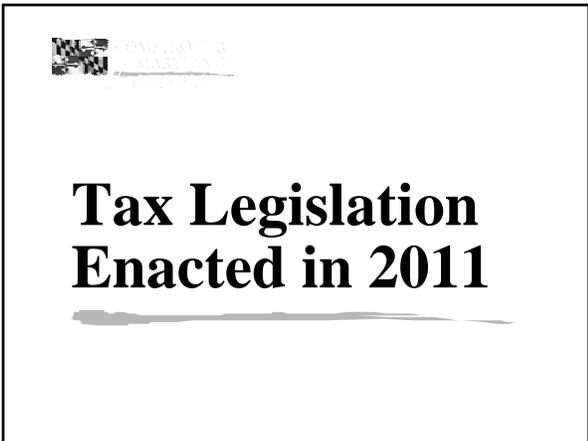
---

---

---

---

---



# Tax Legislation Enacted in 2011

---

---

---

---

---

---

---

---

**Senate Bill 346 and House Bill 11  
(Chapters 221 and 222) – Income Tax  
- Subtraction Modification –  
Maryland Defense Force**

- ✓ Expanded Volunteer Police, Fire, Rescue and Emergency Medical Services Personnel Subtraction Modification.

---

---

---

---

---

---

---

---

**House Bill 632 (Chapter 352) – Earned  
Income Credit Information Act**

- ✓ Requirement to notify employees of potential earned income tax credit eligibility.

---

---

---

---

---

---

---

---



**Tax Legislation  
Enacted in 2012**

---

---

---

---

---

---

---

---



# Income Tax

---

---

---

---

---

---

---

---

## Senate Bill 8 (Chapters 451) – Maryland Income Tax Refund – Anne Arundel County – Warrants

✓ Requires the Comptroller to withhold  
an individual's income tax refund.



---

---

---

---

---

---

---

---

## Senate Bill 8 (Chapters 451) – Maryland Income Tax Refund – Anne Arundel County – Warrants *cont'd*

- ✓ May not withhold a refund of active  
duty military or joint filers.
- ✓ Effective October 1, 2012. Expires  
September 30, 2013.

---

---

---

---

---

---

---

---

**Senate Bill 167 (Chapter 467) – Tax Credits for Qualifying Employees with Disabilities – Sunset Extension**

- ✓Extends termination date to June 30, 2013.
- ✓Effective June 1, 2012.

---

---

---

---

---

---

---

---

**Senate Bill 234 (Chapter 3) – Maryland Health Improvement and Disparities Reduction Act of 2012**

- ✓Establishes process for designating “Health Enterprise Zones” (HEZs).



---

---

---

---

---

---

---

---

**Senate Bill 234 (Chapter 3) – Maryland Health Improvement and Disparities Reduction Act of 2012**

*cont'd*

- ✓New individual income tax credit for “Health Enterprise Zone practitioners” who practice in an HEZ.

---

---

---

---

---

---

---

---

**Senate Bill 234 (Chapter 3) – Maryland Health Improvement and Disparities Reduction Act of 2012 *cont'd***

- ✓ Two part credit; both requiring certification.
- ✓ First is nonrefundable credit.
- ✓ Second is refundable tax credit

---

---

---

---

---

---

---

---

**Senate Bill 234 (Chapter 3) – Maryland Health Improvement and Disparities Reduction Act of 2012 *cont'd***

- ✓ May create one or more qualified positions during any 24-month period
- ✓ Refundable credit taken over two taxable years.

---

---

---

---

---

---

---

---

**Senate Bill 234 (Chapter 3) – Maryland Health Improvement and Disparities Reduction Act of 2012 *cont'd***

- ✓ Nonprofit community-based organizations or local government agencies may submit requests for certification on behalf of HEZ practitioner.



---

---

---

---

---

---

---

---

**Senate Bill 234 (Chapter 3) –  
Maryland Health Improvement and  
Disparities Reduction Act of 2012**

*cont'd*

- ✓ Credits limited to budgeted funds
- ✓ Credits issued on a first-come-first-served basis.

---

---

---

---

---

---

---

---

**Senate Bill 234 (Chapter 3) –  
Maryland Health Improvement and  
Disparities Reduction Act of 2012**

*cont'd*

- ✓ Reporting required on or before December 15 of each year.
- ✓ Applicable to taxable years beginning after December 31, 2012 but before January 1, 2016.

---

---

---

---

---

---

---

---

**Senate Bill 296 (Chapter 478) –  
Security Clearances – Employer Costs**

✓ New tax credit for individuals and corporations for:

- security clearance expenses; and
- construction and equipment costs incurred for sensitive compartmented information facilities.



---

---

---

---

---

---

---

---

**Senate Bill 296 (Chapter 478) –  
Security Clearances – Employer Costs**  
*cont'd*

- ✓ Credit for security clearance expenses may not exceed \$100,000.
- ✓ Credit for sensitive compartmented information facilities is equal to 50% of expenses, not to exceed \$100,000 for a single facility or \$250,000 for multiple facilities.

---

---

---

---

---

---

---

---

**Senate Bill 296 (Chapter 478) –  
Security Clearances – Employer Costs**  
*cont'd*

- ✓ Application to Department of Business and Economic Development by September 15 of the calendar year following the end of the taxable year in which the costs occurred.
- ✓ Credit claimed on an amended tax return for the year in which the costs were incurred.

---

---

---

---

---

---

---

---

**Senate Bill 296 (Chapter 478) –  
Security Clearances – Employer Costs**  
*cont'd*

- ✓ New addback for costs to the extent costs are deducted in computing federal adjusted gross income.



---

---

---

---

---

---

---

---

**Senate Bill 296 (Chapter 478) –  
Security Clearances – Employer Costs**  
*cont'd*

- ✓ Credit available for tax years 2013 through 2016
- ✓ Excess may be carried over until the credit is fully used.

---

---

---

---

---

---

---

---

**Senate Bill 580 and House Bill 600  
(Chapters 544 and 545) – Income Tax  
– Subtraction Modification –  
Mortgage Forgiveness Debt Relief**

- ✓ New subtraction modification for cancellation of debt income from a discharge of qualified principal residence indebtedness.



---

---

---

---

---

---

---

---

**Senate Bill 580 and House Bill 600  
(Chapters 544 and 545) – Income Tax  
– Subtraction Modification –  
Mortgage Forgiveness Debt Relief**

- ✓ New addback to recapture tax benefit if taxpayer claiming subtraction sells or otherwise disposes of qualified principal residence for which subtraction modification was claimed.

---

---

---

---

---

---

---

---

**Senate Bill 739 and House Bill 764  
(Chapters 568 and 569) – Tax Credit  
Evaluation Act**

- ✓ Repeal credits for:
  - Commercial Fertilizer Costs,
  - Qualified Ex-Felon Employee,
  - Multijurisdictional Electric Company,
  - Solar Water Heating Property or Photovoltaic Property, and
  - Job Creation and Recovery.

---

---

---

---

---

---

---

---

**Senate Bill 739 and House Bill 764  
(Chapters 568 and 569) – Tax Credit  
Evaluation Act *cont'd***

- ✓ Repealed tax credits earned before the July 1, 2012 may be carried forward.
- ✓ Other tax credits to be evaluated before expiration.

---

---

---

---

---

---

---

---

**Senate Bill 807 (Chapter 587) –  
Income Tax – Subtraction  
Modification – Land Acquisition for  
Department of Transportation**

- ✓ New subtraction for gain on payment from Maryland Department of Transportation for acquisition property.



---

---

---

---

---

---

---

---

**Senate Bill 1086 and House Bill 1456  
(Chapters 344 and 345) – Income Tax  
– Tax Credits – Electronic Filing  
Requirements**

- Job Creation
  - One Maryland
  - Biotechnology Investment Incentive
  - Enterprise Zone Income tax credit
- ✓ Applicable to taxable years beginning after December 31, 2012.

---

---

---

---

---

---

---

---

**Senate Bill 1302 (Chapter 2 Special  
Session 1) – State and Local Revenue  
and Financing Act of 2012**

- ✓ New rates and brackets:
- Single Filer, Dependent Filer, or Individual Married Filing Separate
- | Rate  | MD Taxable Income           |
|-------|-----------------------------|
| 4.75% | \$3,001 through \$100,000   |
| 5.00% | \$100,001 through \$125,000 |
| 5.25% | \$125,001 through \$150,000 |
| 5.50% | \$150,001 through \$250,000 |
| 5.75% | Over \$250,000              |

---

---

---

---

---

---

---

---

**Senate Bill 1302 (Chapter 2 Special  
Session 1) – State and Local Revenue  
and Financing Act of 2012 *cont'd***

- Joint Filer, Head of Household, or Surviving Spouse
- | Rate  | MD Taxable Income           |
|-------|-----------------------------|
| 4.75% | \$3001 through \$150,000    |
| 5.00% | \$150,001 through \$175,000 |
| 5.25% | \$175,001 through \$225,000 |
| 5.50% | \$225,001 through \$300,000 |
| 5.75% | Over \$300,000              |




---

---

---

---

---

---

---

---

**Senate Bill 1302 (Chapter 2 Special Session 1) – State and Local Revenue and Financing Act of 2012 *cont'd***

✓ Reduced amounts for personal exemptions:

- Single Filer, Dependent Filer, or Individual Married Filing Separate

Exemption	Federal Adjusted Gross Income (FAGI)
\$1,600	\$100,001 through \$125,000
\$800	\$125,001 through \$150,000
\$0	Over \$150,000

---

---

---

---

---

---

---

---

**Senate Bill 1302 (Chapter 2 Special Session 1) – State and Local Revenue and Financing Act of 2012 *cont'd***

- Joint Filer, Head of Household, or Surviving Spouse

Exemption	Federal Adjusted Gross Income (FAGI)
\$1,600	\$150,001 through \$175,000
\$800	\$175,001 through \$200,000
\$0	Over \$200,000

---

---

---

---

---

---

---

---

**Senate Bill 1302 (Chapter 2 Special Session 1) – State and Local Revenue and Financing Act of 2012 *cont'd***

✓ New addition modification for income of an electing small business trust (ESBT), effective for taxable years beginning after December 31, 2012.

✓ Repeals telecommunications company credit against income tax for property taxes and the corresponding addition modification for the amount of the credit.

---

---

---

---

---

---

---

---

**House Bill 438 (Chapter 2) – Civil Marriage Protection Act**

- ✓ Expands definition of marriage to include same-sex.
- ✓ No impact on administration of Maryland income and estate tax laws.
- ✓ Effective January 1, 2013 unless overturned on referendum vote on November 6, 2012.



---

---

---

---

---

---

---

---

**House Bill 568 (Chapter 668) – Sustainable Communities Tax Credit Program – Credit Allocation**

- ✓ Amends to allow Sustainable Communities Tax Credit to be allocated among partners, members, or shareholders in any manner agreed to in writing.
- ✓ Applies only to commercial rehabilitation projects approved on or after July 1, 2012.

---

---

---

---

---

---

---

---

**House Bill 592 (Chapter 128) – Tax Credit for Businesses That Create New Jobs – Enhanced Credit – Extension**

- ✓ Extends, from 12 to 24 years, enhanced property tax credit for businesses that create new jobs.
- ✓ In turn, extends the income tax credit for new job creating businesses.
- ✓ Requires State Department of Assessment and Taxation to certify income tax credit each year.
- ✓ Applicable to all taxable years beginning after December 31, 2012.

---

---

---

---

---

---

---

---

**House Bill 975 (Chapter 693) – Income Tax – Subtraction Modification – Forest Conservation and Management Program Expenses**

✓New subtraction for individuals of up to \$500 of qualified conservation program expenses paid.



---

---

---

---

---

---

---

---

**House Bill 1289 (Chapter 715) – Economic Development – Qualified Distressed Counties – One Maryland Economic Development Tax Credit**

✓Modifies definition of “qualified distressed county”.

---

---

---

---

---

---

---

---

**House Bill 1289 (Chapter 715) – Economic Development – Qualified Distressed Counties – One Maryland Economic Development Tax Credit**  
*cont'd*

✓Amended to allow taxpayers to claim a *prorated share* of project tax credit and the start-up tax credit.

---

---

---

---

---

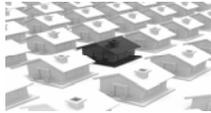
---

---

---

**House Bill 1374 (Chapter 156) – Real Property – Foreclosures and Mediation**

- ✓New subtraction for payments to Maryland residents made as a result of foreclosure settlement negotiated by Attorney General.



---

---

---

---

---

---

---

---



**Sales and Use Tax**

---

---

---

---

---

---

---

---

**Senate Bill 19 and House Bill 319 (Chapters 452 and 453) – Sales and Use Tax – Exemption – Veterans’ Organizations**

- ✓Makes permanent sales and use tax exemption for sales to veterans organization.
- ✓Effective June 1, 2011.



---

---

---

---

---

---

---

---

**Senate Bill 40 and House Bill 1301  
(Chapters 456 and 457) – Sales and Use  
Tax – Machinery and Equipment –  
Energy Star**

- ✓Exempts sale of machinery and equipment used directly and predominately to produce Energy Star windows or entry doors for residential real property.

---

---

---

---

---

---

---

---

**Senate Bill 40 and House Bill 1301  
(Chapters 456 and 457) – Sales and Use  
Tax – Machinery and Equipment –  
Energy Star**

- ✓Exempts sale of electricity, fuel, and other utilities to operate machinery and equipment to produce Energy Star windows or entry doors for residential real property.



---

---

---

---

---

---

---

---

**Senate Bill 446 and House Bill 434  
(Chapters 237 and 238) – Sales and  
Use Tax – Sales of Dyed Diesel Fuel**

- ✓Revises how tax is collected on sales by marinas:
  - must pay tax to the Comptroller; and
  - may not collect the tax from the buyer as a separately stated item.

---

---

---

---

---

---

---

---

**Senate Bill 446 and House Bill 434  
(Chapters 237 and 238) – Sales and  
Use Tax – Sales of Dyed Diesel Fuel**

*cont'd*

- ✓ Tax rate is 6% and applied to 94.5% of the gross receipts from sales.

---

---

---

---

---

---

---

---

**Senate Bill 755 and House Bill 228  
(Chapters 86 and 87) – Sales and Use  
Tax – Consuming Wine Not Bought on  
Premises – Restaurants, Clubs, and  
Hotels**

- ✓ Allows an individual, in a restaurant, club, or hotel with a Class B or Class C license, to consume wine not purchased from the license holder.

---

---

---

---

---

---

---

---

**Senate Bill 755 and House Bill 228  
(Chapters 86 and 87) – Sales and Use  
Tax – Consuming Wine Not Bought on  
Premises – Restaurants, Clubs, and  
Hotels**

- wine consumed with meal during hours specified by license;
- individual receives approval;
- wine is not available for sale; and
- license holder obtains a permit.



---

---

---

---

---

---

---

---

**Senate Bill 755 and House Bill 288  
(Chapters 86 and 87) – Sales and Use  
Tax – Consuming Wine Not Bought on  
Premises – Restaurants, Clubs, and  
Hotels *cont'd***

- ✓ Allows license holder to charge for privilege with 6% tax is imposed.
- ✓ Individual cannot be under 21 years old or visibly under the influence.

---

---

---

---

---

---

---

---

**Senate Bill 852 and House Bill 918  
(Chapters 597 and 598) – Sales and  
Use Tax – Alcoholic Beverages –  
Calculation of Tax**

- ✓ Tax rate is 9% of charge for alcoholic beverage, and 6% of charge made in connection with sale.

---

---

---

---

---

---

---

---

**Senate Bill 852 and House Bill 918  
(Chapters 597 and 598) – Sales and  
Use Tax – Alcoholic Beverages –  
Calculation of Tax *cont'd***

- ✓ 6% rate applies to separately stated charges for:
  - labor or service rendered;
  - material used; or
  - property sold.

---

---

---

---

---

---

---

---

**Senate Bill 852 and House Bill 918  
(Chapters 597 and 598) – Sales and  
Use Tax – Alcoholic Beverages –  
Calculation of Tax *cont'd***

✓ Tax rate is 6% for mandatory gratuity for serving food or any type of beverage to group of more than 10 individuals.



---

---

---

---

---

---

---

---

**Senate Bill 1302 (Chapter 2 Special  
Session 1) – State and Local Revenue  
and Financing Act of 2012**

✓ Repeals exemption from sales and use tax for penalty charge for failure to return gas cylinder timely.

---

---

---

---

---

---

---

---



**Estate Tax**

---

---

---

---

---

---

---

---

**Senate Bill 294 and House Bill 444  
(Chapters 448 and 449) – Maryland  
Estate Tax – Family Farm Preservation  
Act Of 2012**

- ✓ Excludes up to \$5,000,000 of value of qualified agricultural property that passes from decedent to or for the use of qualified recipient.



---

---

---

---

---

---

---

---

**Senate Bill 294 and House Bill 444  
(Chapters 448 and 449) – Maryland  
Estate Tax – Family Farm Preservation  
Act Of 2012 *cont'd***

- ✓ Tax imposed on estates with qualified agricultural property valued in excess of \$5,000,000 cannot exceed the sum of:
  - 16% of the amount by which the taxable estate, excluding the value of qualifying agricultural property, exceeds \$1,000,000; and
  - 5% of the value of the qualified agricultural property in excess of \$5,000,000.

---

---

---

---

---

---

---

---

**Senate Bill 294 and House Bill 444  
(Chapters 448 and 449) – Maryland  
Estate Tax – Family Farm Preservation  
Act Of 2012 *cont'd***

- ✓ “Qualified Agricultural Property” means real or personal property used primarily for farming purposes.
- ✓ “Qualified Recipient” is an individual who enters into an agreement to use qualified agricultural property for farming purposes after decedent’s death.

---

---

---

---

---

---

---

---

**Senate Bill 294 and House Bill 444  
(Chapters 448 and 449) – Maryland  
Estate Tax – Family Farm Preservation  
Act Of 2012 *cont'd***

- ✓ Tax recaptured if, within 10 years after decedent's death, qualified agricultural property ceases to be used for farming.
- ✓ Tax imposed on recapture is additional tax that would have been payable at the time of decedent's death but for exclusion.

---

---

---

---

---

---

---

---