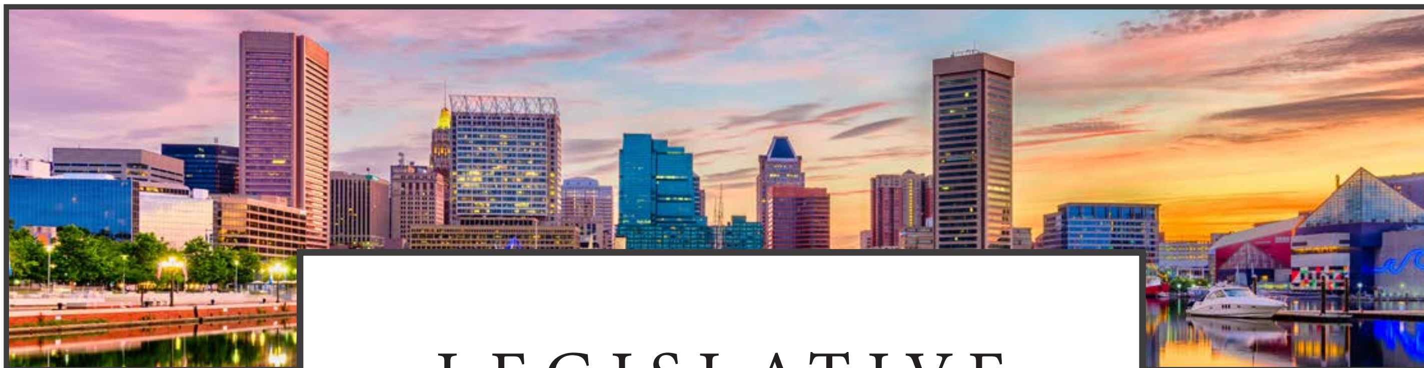
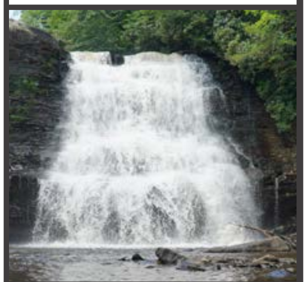
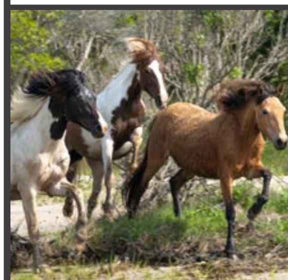


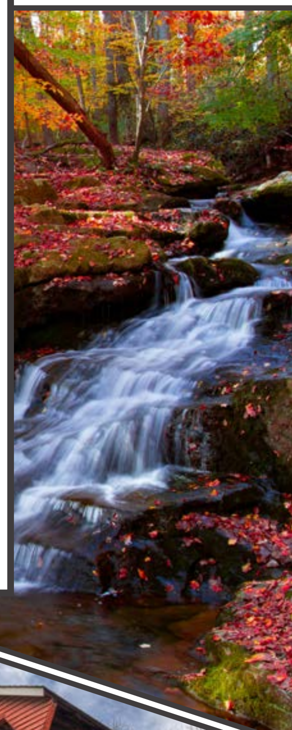


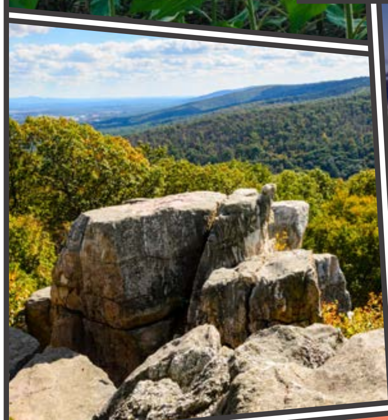


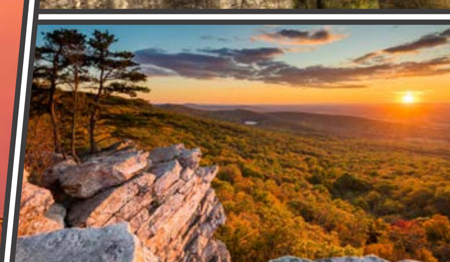
LEGISLATIVE HANDBOOK SERIES

VOLUME III

MARYLAND'S REVENUE STRUCTURE







Maryland’s Revenue Structure

Legislative Handbook Series
Volume III
2022

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Foreword

The consequences of State tax law affect a myriad of transactions ranging from typical consumer purchases to the financing of multimillion dollar bond issuances. Because legislators will be facing many important tax decisions, this handbook has been prepared to summarize the major features of Maryland's revenue structure. Sections are devoted to key aspects of State imposed taxes. In addition, descriptions of nontax-related sources are included to provide background and insight into the funds that compose over half of the total revenues collected by the State.

Of the estimated $61 billion in revenues supporting Maryland government expenditures in fiscal 2023, approximately $28.1 billion supports State general fund purposes. Two taxes − the individual income tax and the sales tax − constitute approximately 67% of general fund revenues. The remaining general fund revenues are derived primarily from other taxes, such as the corporate income tax and other business taxes, alcohol and tobacco taxes, death taxes and from the State lottery.

Taxes and fees dedicated for specific purposes, known as special funds, will generate an estimated $10 billion in revenues in fiscal 2023. The primary special fund tax sources are the various transportation taxes and fees, the percentage of corporate income tax receipts dedicated for transportation purposes, the State property tax that is dedicated for debt service on general obligation bonds, and casino gaming. Other special fund revenues are derived from a variety of user fees and reimbursements to the State. Additionally, the State will receive $18.2 billion in federal funds designated for particular programs and approximately $4.2 billion in tuition, fees, and revenues from the State's higher educational institutions.

This is one of nine volumes of the 2022 Legislative Handbook Series prepared prior to the beginning of the General Assembly term by the Office of Policy Analysis, Department of Legislative Services. This volume was a combined effort of the staff of the department's Office of Policy Analysis under the general direction and review of George H. Butler, Jr. and Charity L. Scott. Contributors include Phillip S. Anthony, Sara J. Baker, Shane Breighner, Jacob Cash, June Chung, Andrew Garrison, Andrew D. Gray, Emily R. Haskel, Laura Hyde, Ian Klein, Michelle K. Lambert, Heather N. MacDonagh, Steve D. McCulloch, Madelyn Miller, Kelly K. Norton, Grace Pederson, Michael D. Sanelli, Morgan T. Smith, Anne P. Wagner, and Stanford D. Ward. Additional review was provided by Ryan Bishop and Patrick S. Frank. This manuscript was prepared by Katylee M. Cannon and Brett A. Ogden.

The Department of Legislative Services trusts that this volume will be of use to all persons interested in the Maryland State government. The department welcomes comments on ways future editions may be improved.

Victoria L. Gruber
Executive Director
Department of Legislative Services
Maryland General Assembly

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Director, Office of Policy Analysis
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Annapolis, Maryland
November 2022

Contents

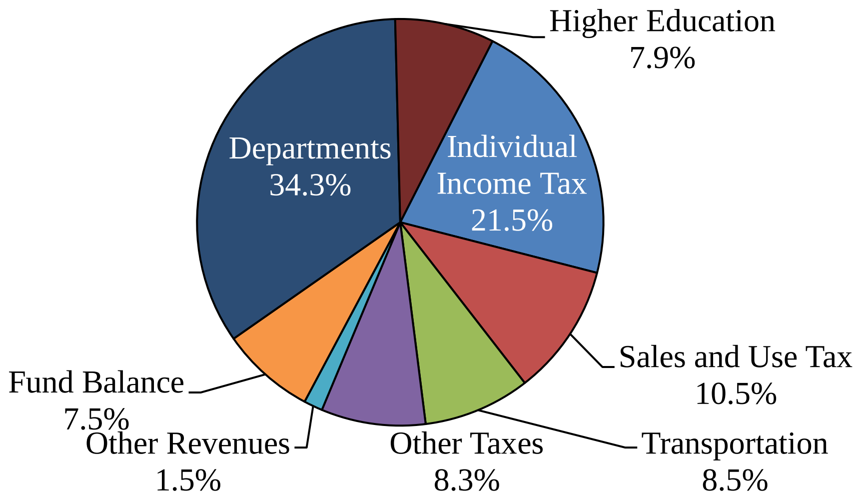
Chapter 1. Overview of Revenue Structure

Maryland Revenue Sources

Revenues supporting Maryland government expenditures are estimated to total approximately $61.0 billion in fiscal 2023. Approximately 45.2% of the revenues come from State tax revenues, with the remaining revenues coming from nontax sources, including federal grants.

The individual income tax and the sales tax together total approximately 32.0% of all revenues. Transportation revenues represent 8.5% of revenues. Other sources of revenue include the lottery and casino gaming, higher education tuition and fees, business taxes, and licensing fees. **Exhibit 1.1** and **Exhibit 1.2** provide detailed information on the various revenue sources for fiscal 2023.

Exhibit 1.1
State Revenue Sources
Fiscal 2023



Total $61.0 Billion

* Includes federal funds.

Note: Detail may not add to total due to rounding.

Source: *Fiscal Digest of the State of Maryland for the Fiscal Year 2023*, Department of Budget and Management; Department of Legislative Services

Exhibit 1.2
State Revenue Sources
Fiscal 2023 Estimates
($ in Millions)

	General Funds	Special and Unrestricted Funds	Federal Funds	Total	Percent of Total
Revenue Source					
Major Taxes, Licenses, and Fees					
Personal Income Tax	$13,125.8			$13,125.8	21.5%
Corporate Income Tax	1,786.6	$305.3[1]		2,091.9	3.4%
Sales and Use Tax	5,816.4	608.9[1, 2]		6,425.3	10.5%
Property Taxes		927.2		927.2	1.5%
Property Transfer Taxes		306.5[3]		306.5	0.5%
Insurance Taxes, Licenses, and Fees	585.6	44.0		629.6	1.0%
Tobacco Taxes	519.7			519.7	0.8%
Inheritance and Estate Taxes	225.1			225.1	0.4%
Alcoholic Beverage Taxes	35.6			35.6	0.1%
Franchise Taxes and Fees	228.2			228.2	0.4%
Vessel Excise Tax	36.8			36.8	0.1%
Horse Racing		2.0		2.0	0.0%
Miscellaneous Taxes and Fees	67.0	1.6		68.6	0.1%
Subtotal	***$22,426.8***	***$2,195.5***	***$0.0***	***$24,622.3***	***40.2%***
Transportation					
Motor Vehicle Fuel Tax/Road Tax		$1,209.4		$1,209.4	2.0%
Motor Vehicle Titling Tax		1,031.0		1,031.0	1.7%
Motor Vehicle Registration, Licenses, and Fees		796.9		796.9	1.3%
Maryland Department of Transportation		420.8	$1,729.6	2,150.4	3.5%
Subtotal	***$0.0***	***$3,458.1***	***$1,729.6***	***$5,187.7***	***8.5%***

	General Funds	**Special and Unrestricted Funds**	**Federal Funds**	**Total**	**Percent of Total**
Other Revenues and Fees					
Lottery/Casino Gaming	$632.1	$105.2[4]		$737.3	1.2%
District Court Fees and Costs	48.8			48.8	0.1%
Interest on Investments	20.0	2.0		22.0	0.0%
Hospital Patient Recoveries	61.7			61.7	0.1%
Annuity Bond Fund		65.8	$9.0	74.8	0.1%
Subtotal	***$762.6***	***$173.0***	***$9.0***	***$944.6***	***1.5%***
Departmental Revenue Sources					
Judicial Review and Legal	$69.0	$135.1	$7.2	$211.3	0.3%
Executive and Administrative Control	5.6	532.3	858.9	1396.8	2.3%
Financial and Revenue Administration	106.6	80.0		186.6	0.3%
Budget, Management, and Information Technology	2.4	101.9	53.5	157.8	0.3%
Retirement Programs		21.5		21.5	0.0%
General Services	0.4	8.1	1.5	10.0	0.0%
Natural Resources	0.1	93.0	43.9	137.0	0.2%
Agriculture	0.1	45.4	7.8	53.3	0.1%
Health	133.6	1,076.1	10,108.5	11,318.2	18.5%
Human Services	2.4	163.6	2,760.3	2,926.3	4.8%
Labor	5.5	248.8	250.2	504.5	0.8%
Public Safety and Correctional Services	8.4	78.6	28.0	115.0	0.2%
Public Education	8.4	939.6	1,525.3	2,473.3	4.0%
Housing and Community Development	0.1	131.0	527.6	658.7	1.1%
Commerce	0.1	64.8	27.4	92.3	0.2%
Environment	0.5	349.7	252.1	602.3	1.0%
Juvenile Services	0.0	2.3	6.9	9.2	0.0%
State Police	4.3	120.7	10.5	135.5	0.2%
Subtotal	***$347.5***	***$4,192.5***	***$16,469.6***	***$21,009.6***	***34.3%***
Higher Education Funds		**$4,813.4**		**$4,813.4**	**7.9%**

	General Funds	Special and Unrestricted Funds	Federal Funds	Total	Percent of Total
Fund Balance	**$4,603.9**			**$4,603.9**	**7.5%**
Grand Total	**$28,140.8**	**$14,832.5**	**$18,208.2**	**$61,181.5**	**100.0%**

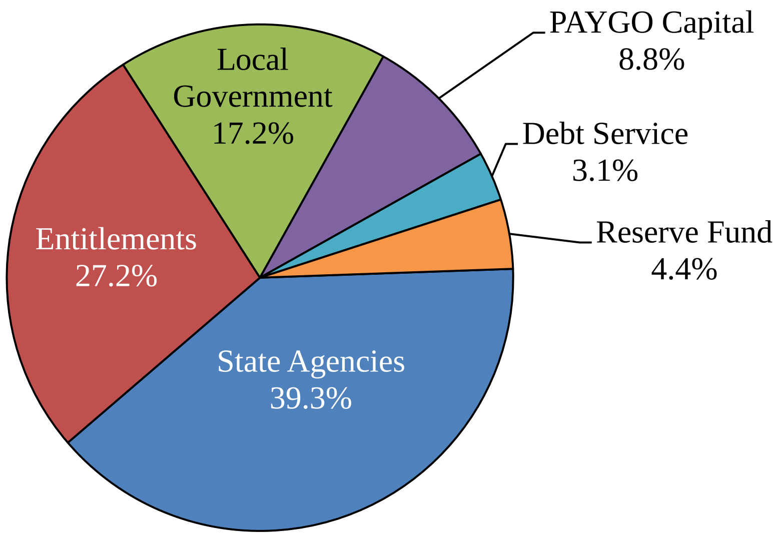
[1] Includes Transportation Trust Fund revenues from these sources.
[2] Includes The Blueprint for Maryland's Future Fund and Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenues from the digital advertising gross revenues tax and sales and use tax on short-term vehicle rentals and peer to peer car sharing, respectively.
[3] Includes revenues transferred to the General Fund.
[4] Excludes revenues distributed to the Education Trust Fund and facility licensees.

Note: Detail may not add to total due to rounding.

Source: *Fiscal Digest of the State of Maryland for the Fiscal Year 2023*, Department of Budget and Management; Department of Legislative Services

Of the approximately $61.0 billion total State operating budget, 39.3% will support State agencies, 27.2% will support State entitlement programs, 17.2% will be allocated for local governments, 8.8% will be used for various capital projects (primarily transportation), 3.1% will support the State's debt service on general obligation bonds, and 4.4% is appropriated to the Reserve Fund. Appropriations to the Reserve Fund include support for multi-year initiatives, like cybersecurity improvements, facility maintenance funding, and one-time PAYGO capital projects. As such, most Reserve Fund appropriations support State needs without creating new ongoing spending commitments. **Exhibit 1.3** and **Exhibit 1.4** illustrate the use of fiscal 2023 revenues.

Exhibit 1.3
State Expenditures
Fiscal 2023



PAYGO: pay-as-you-go

Source: *Effect of the 2022 Legislative Program on the Financial Condition of the State*, Department of Legislative Services

Exhibit 1.4
State Expenditures – All Funds
Fiscal 2023
($ in Millions)

Category	Legislative Appropriation	Percent of Total Appropriation
Debt Service	**$1,919.5**	**3.1%**
Aid to Local Governments		
County/Municipal	$940.8	
Community Colleges	435.3	
Education/Libraries	9,050.5	
Health	74.9	
	$10,501.5	**17.1%**
Entitlements		
Foster Care Payments	$463.9	
Assistance Payments	2,220.3	
Medical Assistance	13,964.8	
Property Tax Credits	96.1	
	$16,745.1	**27.3%**
State Agencies		
Health	$4,887.8	
Human Resources	1,146.3	
Juvenile Services	290.1	
Public Safety/Police	1,861.7	
Higher Education	6,708.0	
Other Education	1,322.3	
Transportation	2,299.2	
Agriculture/Natural Resources/Environment	599.4	
Other Executive Agencies	4,064.6	
Judicial/Legislative	829.0	
	$24,008.5	**39.3%**
Subtotal	***$53,174.6***	
Capital/Heritage Reserve Fund	$5,355.4	**8.7%**
Reserve Funds	2,708.5	**4.4%**
Appropriations	**$61,238.5**	
Reversions	-$199.0	
Total	**$61,039.5**	

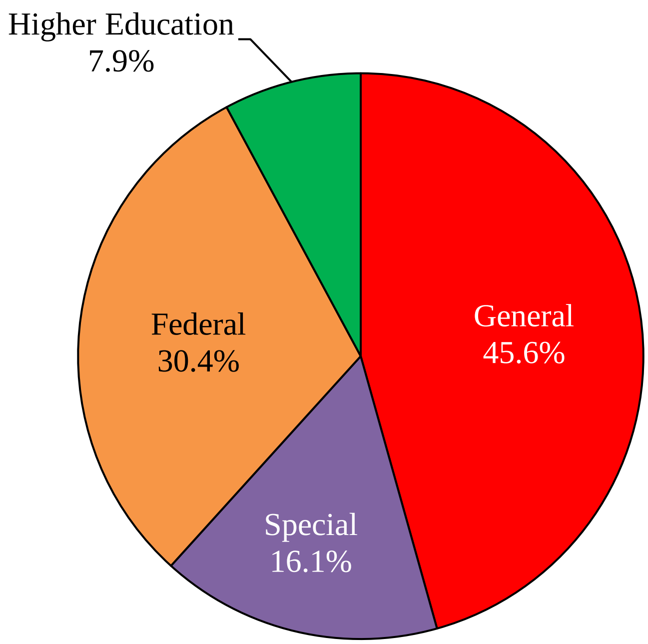
Note: Detail may not add to total due to rounding.

Source: *Effect of the 2022 Legislative Program on the Financial Condition of the State,* Department of Legislative Services

State Revenues by Fund Type

All revenues are classified according to fund type. **Exhibit 1.5** summarizes the fund classification of State revenues for fiscal 2023.

Exhibit 1.5
Summary of All Funds
Fiscal 2023



Total $61.0 Billion

Note: Detail may not add to total due to rounding.

Source: *Fiscal Digest of the State of Maryland for the Fiscal Year 2023*, Department of Budget and Management; Department of Legislative Services

General Funds

Approximately $27.8 billion, or 45.6%, of total fiscal 2023 revenues are generated by general fund sources. These revenues are used to support the operating budget of the State government and contribute to other funds and various public service enterprises run by the State. The primary sources of general fund revenues are individual income taxes ($13.1 billion), sales taxes ($6.4 billion), corporate income taxes ($2.1 billion), and the State lottery ($737.3 million).

Special Funds

Special fund revenues are State-source revenues that are dedicated by law to support specific projects or functions. In fiscal 2023, special funds will provide an estimated $9.8 billion, or approximately 16.1%, of all funds. Major components of special fund revenues include:

- Transportation Trust Fund revenues ($3.5 billion, excluding federal funds), which consist of motor vehicle fuel taxes, titling taxes, registration and licensing fees, a portion of sales and corporate income taxes, and other miscellaneous transportation-related revenues;

- State property tax revenues ($927.2 million), which support debt service on State general obligation bonds;

- property transfer tax revenues ($306.5 million, used primarily for land preservation programs); and

- other revenues that support programs in the Maryland Department of Health, the Department of Human Services, the Department of Natural Resources, the Maryland Department of the Environment, the Department of Public Safety and Correctional Services, the Department of Housing and Community Development, and other agencies.

Federal Funds

Federal funds are monies provided by various agencies of the federal government to fund a variety of purposes. In fiscal 2023, the State expects to receive approximately $18.6 billion (30.4% of all funds) in federal assistance. Major categories of federal funds include health ($10.1 billion), human services ($2.8 billion), public education ($1.5 billion), and transportation ($1.7 billion).

Exhibit 1.6 shows the amount of federal funds in the State budget by department/service area for fiscal 2018 to 2021. During this period, base federal funding ranged from $12.1 billion in fiscal 2018 to $20.4 billion in fiscal 2021.

Exhibit 1.6
Federal Funds in Maryland State Budget
Fiscal 2018-2021
($ in Millions)

Department/Service Area	2018	2019	2020	2021
Judicial and Legal Review	$4.5	$4.8	$6.2	$97.6
Executive and Administrative Control	241.5	216.4	317.6	1,469.3
Financial and Revenue Administration	0.0	0.0	0.0	218.1
General Services	1.3	1.3	1.4	3.0
Transportation	981.2	942.6	1,475.0	1,398.2
Natural Resources	30.3	29.3	29.4	34.0
Agriculture	3.6	5.6	5.3	12.2
Health	7,585.3	7,873.3	8,860.6	10,259.8
Human Resources	1,627.6	1,615.9	2,022.4	3,250.2
Labor	155.7	152.4	160.6	253.6
Public Safety and Correctional Services	30.0	29.3	30.9	71.5
Public Education	1,099.9	1,144.3	1,467.4	2,097.9
Housing and Community Development	292.2	282.9	326.5	974.7
Commerce	2.2	2.9	99.8	151.1
Environment	70.9	75.5	136.2	83.1
Juvenile Services	4.6	3.7	3.1	7.8
State Police	4.5	6.1	6.5	15.2
Public Debt	11.5	11.6	10.4	9.3
Total Federal Funding	**$12,146.6**	**$12,397.8**	**$14,959.6**	**$20,406.6**

Source: Maryland State Budget

In response to the COVID-19 pandemic, federal funding to the State and local jurisdictions increased significantly beginning in fiscal 2021; the State and local jurisdictions continue to benefit from the increased federal funding.

Higher Education Funds

In fiscal 2023, the State will receive almost $4.8 billion in higher education revenues (7.9% of all funds) from grants and contracts, contributions, tuition, fees and charges from room and board, and educational and auxiliary enterprises. Some higher education funds are dedicated for specific purposes (restricted), while others are used to support the general operation of State universities and colleges (unrestricted).

Revenue Projections and Economic Outlook

Growth in revenues, particularly general fund revenues, is directly related to the economic performance of the State. The largest sources of revenue, the personal income tax and the sales tax, are driven by growth in personal income and employment. For a further discussion of the State's economic outlook and climate, see *Volume VII – Business Regulation in Maryland* of this handbook series.

Organization of the Handbook

This handbook is organized in four parts:

- Chapters 2 through 9 describe in detail the tax sources of the State's revenues. Each chapter pertains to a particular tax source (*e.g.*, individual income tax) or category of taxes (*e.g.*, business taxes) and discusses important characteristics of each tax. Such characteristics include the taxpayer, the tax base, exemptions and modifications, historical and projected revenues, and a summary of major changes;

- Chapter 10 reviews the structure of transportation revenues – these revenues are derived from both tax and nontax sources, so this section combines a discussion of both;

- Chapter 11 describes the Maryland lottery and casino gaming in the State; and

- Chapters 12 through 19 provide a general overview of the additional sources of State revenues that are collected by various State agencies.

Chapter 2. Overview of Tax Revenue Sources

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 taxes 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 other miscellaneous taxes.

Maryland's Tax Mix

Maryland's tax mix is diverse but weighted toward the income tax. The main sources of State and local tax revenue in Maryland are the income tax, the sales and use tax, and property taxes. This tax structure is well diversified because the State uses all three of the major tax sources, as some states only use two of these taxes. Because of the complementary nature of these taxes, using all three enhances the fairness and stability of the tax structure. In addition, like most states, Maryland has a motor fuel tax that is a dedicated revenue source used to fund transportation construction and maintenance expenditures. Maryland does not impose taxes on the personal property of individuals as is done in some states, such as Virginia.

Individual Income Tax

Discussed in greater detail in "Chapter 3. Individual Income Tax" of this handbook, the individual income tax has long been the State's primary source of revenue, and its importance as a source of revenue has grown over the years. In fiscal 2023, the State will receive an estimated $13.1 billion in individual income tax revenues, constituting 58% of general fund revenues. The individual income tax makes up a larger share of total taxes in Maryland than in most other states. Conversely, sales and property taxes in Maryland make up a smaller share of total revenues compared to most other states.

Maryland's income tax base is relatively narrow, which puts upward pressure on income tax rates. Taxes with broad bases are more conducive to low rates than those with narrow bases. For example, Pennsylvania has a broadly defined income tax base and a relatively low state income tax rate of 3.07%. Maryland's base is narrow because of the many deductions, exemptions, and credits that are allowed. In addition to allowing most federal itemized deductions, there are several State-only deductions that further reduce the base.

The county income tax is a significant revenue source for local governments in Maryland. While local income taxes are imposed in a limited way in a number of states, these taxes are widespread in only a handful of states. Local governments in Maryland expect to collect income tax revenues of $8.5 billion in fiscal 2023. While the local income tax relieves pressure on local property tax rates, it is the primary reason for the State's relatively high State and local income tax burden.

While Maryland's overall tax burden is close to average when compared to other states, the State's high reliance on the income tax in its mix of taxes, together with the local income tax, puts Maryland near the top in rankings of states based on income taxes.

Sales and Use Tax

Discussed in greater detail in "Chapter 4. Sales and Use Tax" of this handbook, the sales and use tax is the State's second largest source of revenue. Compared to other states, Maryland's sales tax rate is not high, and the tax base is relatively narrow. Maryland's sales tax base is narrow because it excludes most services and exempts grocery food, residential utilities, and medicine from the sales tax base. In fiscal 2023, the State will receive approximately $6.4 billion in sales tax revenues, or about 29% of total general fund revenues.

Property Tax

Discussed in greater detail in "Chapter 6. Property Taxes" of this handbook, property taxes are primarily a local revenue source in Maryland. For fiscal 2022, the counties and municipalities collectively received approximately $9.3 billion in real and personal property tax revenues. State property tax revenues are dedicated to debt service on State general obligation bonds. In fiscal 2023, the State will receive an estimated $927.2 million in real property taxes.

Transportation Taxes

Discussed in greater detail in "Chapter 10. Transportation Reveues" of this handbook, transportation taxes are the third largest source of tax revenue for the State. Transportation taxes generally are credited to the Transportation Trust Fund, a portion of which is shared with local governments. In fiscal 2023, the State will receive approximately $5.3 billion in transportation tax revenues.

Comparison to Taxes in Other States

Exhibit 2.1, **Exhibit 2.2**, and **Exhibit 2.3** compare Maryland's State and local tax structure to other states in the region and to the United States as a whole. Exhibit 2.1 compares the relative reliance of each state on the various taxes, showing the percentage of total state and local tax revenues generated by each of the major tax types. Exhibit 2.2 shows revenues on a per capita basis. Comparing taxes across states on a per capita basis alone ignores the relative revenue-raising capacity of each state. For example, a wealthier state with the same income, property, and sales tax rates as a less wealthy state would raise more tax revenue per person than the less wealthy state simply because residents of the wealthier state have more income and more valuable property, and they spend more. Consequently, measuring tax burden on a per capita basis alone provides an incomplete picture. To account for the relative revenue raising capacity of each state, Exhibit 2.3 provides another common basis for comparison, the amount of taxes paid in each state relative to personal income in the state.

Maryland ranks twelfth among all states in overall taxes as a percentage of personal income and ninth in overall taxes on a per capita basis. Maryland's reliance on the income tax is high compared to other states, while the State generally ranks near the middle with respect to property taxes and corporate income taxes and near the bottom with respect to sales taxes.

Exhibit 2.1 demonstrates that compared to other states, Maryland's tax mix is heavily weighted toward the income tax. Approximately 40.5% of Maryland's total State and local tax revenues comes from the personal income tax, ranking Maryland first among all states in its reliance on the income tax. Maryland ranked second among all states in personal income tax liability as a percentage of personal income basis and third on a per capita basis – these high rankings are due, at least in part, to the local income tax imposed by the counties.

Maryland ranks low in its reliance on sales taxes. Exemptions under the State sales and use tax for grocery food, residential utilities, and medicine; the exclusion of most services from the sales tax base; and the absence of local general sales taxes all contribute to the State's low ranking for sales taxes.

In considering these rankings, it should be noted that they are based on fiscal 2019 to 2020 data, which are the latest comparative information available. Since that time, Maryland and other states have made changes to their tax structures that could affect these comparisons. In addition, although this data provides a useful basis for general comparisons of the tax structures of various states, it should be noted that varying demographics among the states and nuances of the revenue structures of the states limit the utility of these types of comparison.

Exhibit 2.1

Maryland State and Local Tax Revenues – Comparison to Selected States

2019-2020 Relative Dependence on Various Taxes (Percentage of Total Tax Revenues)

	Property Tax	Personal Income Tax	Corporate Income Tax	Sales and Selective Taxes[1]	License Fees	Other Taxes[2]	All Taxes	Per Capita Personal Income
Maryland								
Percent	**25.6%**	**40.5%**	**3.2%**	**24.7%**	**2.4%**	**3.6%**	**100.0%**	**$65,534**
Rank	**38**	**1**	**26**	**41**	**49**	**14**		**9**
Delaware								
Percent	17.9%	30.0%	4.3%	10.4%	32.5%	4.8%	100.0%	$55,810
Rank	50	9	11	51	1	9		25
District of Columbia								
Percent	35.1%	28.5%	8.7%	19.3%	2.6%	5.7%	100.0%	$89,417
Rank	17	11	2	47	48	6		1
New Jersey								
Percent	45.3%	21.9%	5.1%	23.3%	2.8%	1.6%	100.0%	$70,314
Rank	4	32	6	44	46	25		5
North Carolina								
Percent	25.7%	28.4%	1.5%	37.9%	5.8%	0.7%	100.0%	$50,996
Rank	37	12	42	21	16	40		40
Pennsylvania								
Percent	29.6%	25.4%	4.3%	31.9%	4.8%	4.0%	100.0%	$60,720
Rank	28	21	13	32	25	12		16
Virginia								
Percent	32.7%	31.0%	2.8%	26.9%	4.8%	1.8%	100.0%	$61,661
Rank	23	6	29	40	27	22		14
West Virginia								
Percent	23.4%	25.4%	2.0%	38.8%	6.3%	4.1%	100.0%	$44,868
Rank	41	19	37	18	12	11		50
U.S. Average	**32.2%**	**22.8%**	**3.3%**	**35.0%**	**4.5%**	**2.3%**	**100.0%**	**$59,147**

[1] Includes the general sales tax along with selective taxes such as excise taxes on alcohol and tobacco products, motor fuel taxes, titling taxes, admissions and amusement taxes, insurance premiums taxes, public utility gross receipts taxes, and others.
[2] Includes death and gift taxes, documentary and stock transfer taxes, severance taxes, and other taxes.

Note: For the rankings, 1 indicates the highest. Rankings are out of 51, except for the personal income tax (out of 44) and the corporate income tax (out of 47).

Source: Annual Survey of State and Local Government Finances, U.S. Census Bureau; Population from the U.S. Census Bureau; Personal income data from U.S. Bureau of Economic Analysis

Exhibit 2.2

Maryland State and Local Tax Revenues – Comparison to Selected States

2019-2020 Tax Revenues Per Capita

	Property Tax	Personal Income Tax	Corporate Income Tax	Sales and Selective Taxes[1]	License Fees	Other Taxes[2]	All Taxes	Per Capita Personal Income
Maryland								
Amount	**$1,744**	**-$2,759**	**$215**	**$1,682**	**$166**	**$243**	**$6,810**	**$65,534**
Rank	**21**	**3**	**17**	**35**	**39**	**10**	**9**	**9**
Delaware								
Amount	$1,049	$1,759	$254	$610	$1,903	$282	$5,859	$55,810
Rank	43	9	9	51	1	8	15	25
District of Columbia								
Amount	$4,242	$3,445	$1,054	$2,335	$313	$689	$12,077	$89,417
Rank	1	1	1	8	14	5	1	1
New Jersey								
Amount	$3,431	$1,661	$384	$1,769	$214	$119	$7,578	$70,314
Rank	2	11	5	31	34	20	4	5
North Carolina								
Amount	$1,082	$1,196	$63	$1,594	$244	$30	$4,209	$50,996
Rank	42	24	43	38	26	41	41	40
Pennsylvania								
Amount	$1,644	$1,408	$239	$1,770	$267	$225	$5,554	$60,720
Rank	26	16	12	30	20	12	20	16
Virginia								
Amount	$1,830	$1,737	$158	$1,504	$266	$101	$5,597	$61,661
Rank	17	10	24	42	21	23	19	14
West Virginia								
Amount	$1,002	$1,088	$85	$1,658	$271	$173	$4,278	$44,868
Rank	44	30	38	36	19	13	39	50
U.S. Average	**$1,810**	**$1,281**	**$183**	**$1,964**	**$251**	**$127**	**$5,616**	**$59,147**

[1] Includes the general sales tax along with selective taxes such as excise taxes on alcohol and tobacco products, motor fuel taxes, titling taxes, admissions and amusement taxes, insurance premiums taxes, public utility gross receipts taxes, and others.
[2] Includes death and gift taxes, documentary and stock transfer taxes, severance taxes, and other taxes.

Note: For the rankings, 1 indicates the highest. Rankings are out of 51, except for the personal income tax (out of 44) and the corporate income tax (out of 47).

Source: Annual Survey of State and Local Government Finances, U.S. Census Bureau; Population from the U.S. Census Bureau; Personal income data from U.S. Bureau of Economic Analysis

Exhibit 2.3

Maryland State and Local Tax Revenues – Comparison to Selected States

2019-2020 Tax Revenues as a Percentage of Personal Income

	Property Tax	Personal Income Tax	Corporate Income Tax	Sales and Selective Taxes[1]	License Fees	Other Taxes[2]	All Taxes	Per Capita Personal Income
Maryland								
Percent	**2.7%**	**4.2%**	**0.3%**	**2.6%**	**0.3%**	**0.4%**	**10.4%**	**$65,534**
Rank	**32**	**2**	**23**	**43**	**46**	**12**	**12**	**9**
Delaware								
Percent	1.9%	3.2%	0.5%	1.1%	3.4%	0.5%	10.5%	$55,810
Rank	46	6	8	50	1	7	11	25
District of Columbia								
Percent	4.7%	3.9%	1.2%	2.6%	0.3%	0.8%	13.5%	$89,417
Rank	5	3	1	41	35	5	2	1
New Jersey								
Percent	4.9%	2.4%	0.5%	2.5%	0.3%	0.2%	10.8%	$70,314
Rank	4	18	5	44	38	23	9	5
North Carolina								
Percent	2.1%	2.3%	0.1%	3.1%	0.5%	0.1%	8.3%	$50,996
Rank	43	19	43	30	21	41	41	40
Pennsylvania								
Percent	2.7%	2.3%	0.4%	2.9%	0.4%	0.4%	9.1%	$60,720
Rank	**29**	21	13	36	25	13	26	16
Virginia								
Percent	3.0%	2.8%	0.3%	2.4%	0.4%	0.2%	9.1%	$61,661
Rank	22	12	29	45	26	25	30	14
West Virginia								
Percent	2.2%	2.4%	0.2%	3.7%	0.6%	0.4%	9.5%	$44,868
Rank	39	16	35	14	10	11	19	50
U.S. Average	**3.1%**	**2.2%**	**0.3%**	**3.3%**	**0.4%**	**0.2%**	**9.5%**	**$59,147**

[1] Includes the general sales tax along with selective taxes such as excise taxes on alcohol and tobacco products, motor fuel taxes, titling taxes, admissions and amusement taxes, insurance premiums taxes, public utility gross receipts taxes, and others.
[2] Includes death and gift taxes, documentary and stock transfer taxes, severance taxes, and other taxes.

Note: For the rankings, 1 indicates the highest. Rankings are out of 51, except for the personal income tax (out of 44) and the corporate income tax (out of 47).

Source: Annual Survey of State and Local Government Finances; U.S. Census Bureau; Population from the U. S. Census Bureau; Personal income data from U.S. Bureau of Economic Analysis

Chapter 3. Individual Income Tax

Taxpayer

Individuals who maintain legal residence in Maryland or who earn or receive income from Maryland sources must pay the Maryland income tax. The six taxpayer classifications are single, married filing jointly, married filing separately, head of household, qualifying widow(er) with dependent child, and dependent taxpayer. Employers are required to withhold taxes (based on withholding tables) from the wages of employees. Income earned by an estate of a deceased person is subject to income tax in the same manner as individuals.

Tax Base

The tax base is the taxpayer's federal adjusted gross income adjusted by Maryland addition and subtraction modifications, deductions, and exemptions, yielding "Maryland Taxable Income."

Valuation of Base

The individual taxpayer states the value of the base in the return. The return is subject to audit.

Tax Rates

Exhibit 3.1 shows Maryland's State income tax rates for tax year 2022.

Exhibit 3.1
Maryland State Income Tax Rates
Tax Year 2022

Single, Dependent Filer, Married Filing Separate		Joint, Head of Household, Widower	
Rate	**Maryland Taxable Income**	**Rate**	**Maryland Taxable Income**
2.00%	$1-$1,000	2.00%	$1-$1,000
3.00%	$1,001-$2,000	3.00%	$1,001-$2,000
4.00%	$2,001-$3,000	4.00%	$2,001-$3,000
4.75%	$3,001-$100,000	4.75%	$3,001-$150,000
5.00%	$100,001-$125,000	5.00%	$150,001-$175,000
5.25%	$125,001-$150,000	5.25%	$175,001-$225,000
5.50%	$150,001-$250,000	5.50%	$225,001-$300,000
5.75%	Excess of $250,000	5.75%	Excess of $300,000

Source: Annotated Code of Maryland, Section 10-105 of the Tax – General Article

Computation of Tax

Exhibit 3.2 summarizes the primary components of the individual income tax computation and provides the gross dollar amounts associated with each component for tax year 2020. A description of each component follows the exhibit.

Exhibit 3.2
Computation of Total Maryland Individual Income Tax Revenues
Tax Year 2020
($ in Millions)

Federal Adjusted Gross Income	$400,563
plus	
addition modifications	14,828
less	
subtraction modifications	182,394
equals	
Maryland Adjusted Gross Income	$232,997
less	
deductions	21,019
less	
exemptions	11,914
equals	
Maryland Taxable Income	$200,065
multiplied by	
State effective tax rate[1] for tax year 2020	4.99%
equals	
Gross State Tax	$9,992
less	
tax credits[2]	430
equals	
State Income Tax Revenues	$9,562
Maryland Taxable Income	$200,065
multiplied by	
local income tax rates less local tax credits	
equals	
Local Income Tax Revenues	$5,851

[1] Calculated as gross tax liability divided by total Maryland taxable income.
[2] Includes nonrefundable tax credits plus refundable earned income credit.

Source: Annotated Code of Maryland, Title 10, Subtitle 2 of the Tax – General Article; Comptroller of the Treasury

Note: Numbers may not sum to total due to rounding.

Special Provisions

Addition Modifications to Federal Adjusted Gross Income

Numerous addition modifications are provided under Maryland income tax law. These include:

- dividends and interest from state or local obligations, excluding obligations of Maryland and its subdivisions;
- 50% of tax preference items in excess of $10,000 ($20,000 for joint returns);
- adjustments attributable to a period of nonresident status;
- net additions to Maryland partnership and fiduciary tax returns;
- certain amounts claimed as business tax credits;
- pickup contributions of a State retirement or pension system;
- any refund or distribution not used for qualified higher education expenses received from a Maryland Prepaid College Trust, Maryland College Investment Plan, or Maryland Broker-Dealer College Investment Plan;
- any refund or distribution not used for qualified disability expenses received from a Maryland Achieving a Better Life Experience account;
- amounts deducted for federal income tax purposes for qualified college tuition and related expenses;
- amounts required to calculate Maryland taxable income without regard to federal special depreciation allowances, extended net operating loss carryback periods, or increased Section 179 depreciation deduction for specified large sport utility vehicles;
- any amount subtracted for certain qualified mortgage debt relief if the taxpayer claiming the subtraction modification sells or otherwise disposes of the property for which the subtraction modification is claimed;
- any amount of credit claimed for the payment of income tax by a pass-through entity that is attributable to the member's share of tax on the member's share of the pass-through entity's taxable income; and

- any amount of funds withdrawn from a first-time homebuyer savings account for a purpose other than eligible costs for the purchase of a home in Maryland.

Subtraction Modifications to Federal Adjusted Gross Income

Numerous subtraction modifications (deductions) are provided under Maryland income tax law. These include:

- interest and dividends on United States obligations, including mutual fund dividends attributable to United States obligations;
- taxable pension and retirement annuity income up to the maximum annual Social Security benefit reduced by any Social Security benefits received if totally disabled or 65 years of age or older;
- Social Security and railroad retirement benefits included in federal adjusted gross income;
- certain employment-related household and dependent care expenses for an eligible child, dependent, or a disabled spouse if they are necessary for the person claiming the deduction to work or seek work;
- income received while not a resident of Maryland;
- net subtractions from Maryland pass-through entity and fiduciary tax returns;
- income tax refunds from any state, the District of Columbia, or any subdivision;
- profits realized from the sale or exchange of bonds issued by Maryland or its subdivisions;
- up to $1,000 in certain expenses incurred by an employer in obtaining readers for use in the employment of the blind and up to $5,000 of expenses not deducted under the federal medical expenses deduction incurred by a blind individual for personal use or use in employment;
- up to $5,000 of certain expenses incurred by parents in adopting a child or up to $6,000 for a child with certain special needs adopted through a public or nonprofit adoption agency;
- up to $5,000 of the income earned by a law enforcement officer if the officer resides in a political subdivision in which the crime rate exceeds the State’s crime rate;
- length of service awards to fire, rescue, or ambulance personnel funded by counties or municipalities;

- pension and disability payments for job-related injuries of law enforcement officers or firefighters;

- if 55 years of age or older, up to $15,000 of qualified retirement income that is attributable to service as a specified public safety employee or a forest, park, or wildlife ranger;

- payments from a pension system to the surviving spouse or other beneficiary of a law enforcement officer or firefighter whose death arises out of or in the course of their employment;

- certain amounts for qualifying active volunteer fire, rescue, or emergency medical services personnel; volunteer police officers; members of the U.S. Coast Guard Auxiliary, Maryland Defense Force, or Maryland Civil Air Patrol; and police auxiliary or reserve volunteers;

- annuities received from a state retirement or pension system plan included in federal adjusted gross income;

- up to $15,000 in military pay attributable to service outside of the United States;

- up to $15,000 in military retirement income of a qualified individual;

- up to $1,200 for income earned by two-income married couples filing joint returns;

- certain contributions to the Maryland College Investment Plan, the Maryland Broker-Dealer College Investment Plan, and the Maryland Achieving a Better Life Experience Program;

- distributions to a beneficiary of the Maryland Prepaid College Trust, Maryland Broker-Dealer College Investment Plan, and Maryland College Investment Plan that are used for qualified higher education expenses;

- certain expenses incurred, less any assistance received from the Department of Natural Resources, in upgrading a residential septic system located in the Chesapeake and Atlantic Coastal Bays Critical Area;

- non-economic damages received by a claimant in satisfaction of a claim of unlawful discrimination;

- certain income resulting from the discharge of student loan debt;

- certain income, up to a specified amount, that is the result of the discharge of qualified principal residence indebtedness that would have been allowable under the federal Mortgage Forgiveness Debt Relief Act;

- up to $10,000 of the qualified expenses incurred by a living organ donor;

- the first $50,000 of compensation received for the sale of a perpetual conservation easement on real property located in the State;

- up to $250 of the unreimbursed expenses paid or incurred by an eligible teacher for the purchase of classroom supplies if the supplies are used by students in the classroom or the eligible teacher to prepare for classroom teaching;

- up to $5,000 contributed by an account holder to a first-time homebuyer savings account and the earnings from that account, subject to certain limitations; and

- expenses paid or incurred in carrying on a trade or business as a State-licensed medical cannabis grower, processor, or dispensary or any other cannabis establishment licensed by the State, if the deduction of those expenses is disallowed under federal tax law.

Deductions

Taxpayers are allowed to reduce their Maryland adjusted gross income by either a "standard deduction" or by the total of qualifying itemized deductions. Taxpayers may reduce their Maryland adjusted gross income in the same manner utilized on their federal return by either a standard deduction or by the total of qualifying itemized deductions. The standard deduction is equal to 15% of total Maryland adjusted gross income, subject to a minimum of $1,500 ($3,000 for a joint return) and a maximum of $2,250 ($4,500 for a joint return). Beginning in 2019, the value of the standard deduction is indexed based on the annual change in the cost of living. For example, the tax year 2021 standard deduction is a maximum value of $2,350 for single taxpayers ($4,700 for a joint return).

Taxpayers who elect to itemize for federal tax purposes and State tax purposes can deduct the sum of qualifying itemized deductions as shown on the federal tax return, reduced (1) as required under the Internal Revenue Code; (2) by any amount deducted under Section 170 of the Internal Revenue Code for contributions of a preservation or conservation easement for which a State income tax credit is claimed under the Tax – General Article; (3) by State and local income taxes itemized on the federal return, after subtracting, where applicable and subject to federal phase out, a *pro rata* portion of the reduction to itemized deductions required of certain high-income taxpayers for federal purposes; and (4) deductions attributable to the period of nonresidence.

Exemptions

The value of the personal exemption amount ranges from $0 to $3,200, depending on the taxpayer's federal adjusted gross income and filing status, as illustrated in **Exhibit 3.3**.

Exhibit 3.3
Personal Exemption Values
Tax Year 2022

Single, Dependent Filer, Married Filing Separate		Joint, Head of Household, Widower	
FAGI	**Exemption Value**	**FAGI**	**Exemption Value**
$100,000 or less	$3,200	$150,000 or less	$3,200
$100,001-$125,000	1,600	$150,001-$175,000	1,600
$125,001-$150,000	800	$175,001-$200,000	800
Over $150,000	0	Over $200,000	0

FAGI: federal adjusted gross income

Source: Department of Legislative Services

Some taxpayers may claim an additional exemption for each dependent that is at least 65 years old. An additional $1,000 exemption is allowed for a taxpayer or spouse who is blind or 65 years of age or older.

Tax Credits

Numerous credits are allowed against State tax liability. These include credits for:

- estimated tax payments made by taxpayers and taxes withheld and paid to the State by employers on behalf of employees;
- income tax paid to another state;
- taxes paid by a pass-through entity that are attributable to the member's share of tax on the member's share of the pass-through entity's taxable income;

- certain wages and child care and transportation expenses for qualified employees with disabilities;

- for individuals eligible for the federal Child and Dependent Care Credit, up to 32% of the federal credit for child and dependent care expenses;

- 50% of the federal earned income tax credit claimed, not to exceed the total pre-credit tax liability, and a refund of the amount by which 28% of the federal earned income credit (45% for taxable years 2020 through 2022) exceeds the State income tax for State residents; for purposes of an individual without a qualifying child, the federal earned income tax credit is calculated without regard to the federal minimum age requirement;

- taxes owed by taxpayers under the poverty level, if ineligible for the refundable earned income credit;

- for residents age 65 or older whose federal adjusted gross income does not exceed certain amounts, up to $1,000 for an individual or $1,750 if married filing jointly;

- portions of certain rehabilitation expenditures for qualified historic properties and certain construction and rehabilitation costs for catalytic revitalization projects;

- up to $500 for the purchase of a tax-qualified long-term health care insurance policy in the year the policy is first purchased;

- 5% of the cost of providing long-term care insurance to employees, credit not to exceed $5,000 or $100 for each employee covered by long-term care insurance;

- up to $1,500 of tuition paid by teachers for graduate level courses required to maintain certification;

- certain jobs created by qualifying businesses in enterprise zones, focus areas, and distressed counties (*e.g.*, Enterprise Zone Program, One Maryland Program, Job Creation Tax Credit, More Jobs for Marylanders Program) and the employment of certain apprentices;

- up to 50% of the federal Work Opportunity Tax Credit claimed by an employer for wages paid to an individual with barriers to employment who is employed in the State;

- 50% of the cost of specified commuter benefits provided to employees, subject to a maximum of $100 per employee per month;

- portions of qualified research and development expenses;

- portions of eligible investments, subject to certain limitations, made in a qualified biotechnology company or qualified Maryland technology company;

- portions of certain direct costs of a film production activity or theatrical production activity, subject to certain limitations;

- up to $5,000 of student loan debt for a qualifying individual who has incurred at least $20,000 in undergraduate or graduate student loan debt or both;

- 50% of the cost incurred by a qualified buyer to purchase cybersecurity technology or a cybersecurity service;

- 25% of donations to qualified permanent endowment funds of certain Historically Black Colleges and Universities; and

- the construction of certain workforce housing projects located in opportunity zones.

Refunds

Generally, refunds are made for overpayment of taxes for claims made within three years from the date the tax return was originally filed, or two years from the date of payment, whichever is later in accordance with the Tax – General Article and the Internal Revenue Code.

Part-year Residents

Taxpayers who have not resided in Maryland for the entire tax year must prorate their deductions, exemptions, and modifications to reflect the proportion of income earned in Maryland.

Payment Dates

Individuals

Annual returns are due by April 15 of the year following the taxable year. Individuals who file income taxes electronically and pay the amount due electronically can pay by April 30. If the taxpayer uses a fiscal year basis, then the returns are due on or before the fifteenth day of the fourth month following the end of the fiscal year.

A quarterly declaration is due if the taxpayer expects to be underwithheld by more than one-half of the federal threshold amount (currently $500). Such taxpayers must file an estimated return and make quarterly payments on or before April 15, June 15, September 15, and January 15 of the next year.

Employers

Based on the amount of taxes withheld, employers remit withholding taxes to the Comptroller annually, seasonally, quarterly, monthly, or as accumulated (for the largest employers).

- ***Annually:*** If an employer expects to withhold less than $250 in taxes in the calendar year, the employer must remit withholdings by January 31 of the year that follows the year in which the taxes were withheld.

- ***Seasonally:*** Employers who operate only during certain months and obtain prior approval from the Comptroller's Office can file seasonally.

- ***Quarterly:*** If an employer expects to withhold $250 or more in taxes annually and less than $700 in a calendar quarter, the employer must remit withholdings by the fifteenth day of the month following the calendar quarter in which the taxes were withheld.

- ***Monthly:*** If an employer expects to withhold $700 or more in a calendar quarter, the employer must remit withholdings by the fifteenth day of the month following the month in which the taxes were withheld.

- ***Within Three Business Days:*** Employers that withheld $15,000 or more in the preceding calendar year and have accumulated $700 of withholding tax must remit withholdings within three business days. Employers who meet this threshold, however, can file withholdings monthly if they are allowed to file monthly for federal withholding tax purposes.

Administration of Tax

The Revenue Administration and Compliance divisions of the Comptroller of the Treasury are primarily responsible for collecting and administering the income tax.

Fines, Penalties, and Interest

Interest on unpaid income tax is assessed at the rate set by statute or 3% above prime rate, whichever is greater. For failure to timely remit the tax due, a penalty not exceeding 10% of the unpaid tax must be assessed. A penalty not exceeding 100% of the underpayment of the tax is assessed for fraudulent returns or failing to file a return with intent to evade payment of tax.

Local Taxing Authority

Each county and Baltimore City levies a local income tax on their residents. The tax is assessed as a percentage of the taxpayer's Maryland taxable income. For tax year 2022, county income tax rates range from 2.25% in Worcester County to 3.2% in Baltimore City and Baltimore, Caroline, Dorchester, Howard, Kent, Montgomery, Prince George's, Queen Anne's, Somerset, and Wicomico counties. A county may impose the county income tax on a bracket basis, provided the county sets, by ordinance or resolution, the income brackets that apply to each tax rate and informs the Comptroller by July 1 prior to the year in which a new bracket is established. Generally, each incorporated municipality shares in its county's income tax revenues by receiving the greater of 17.0% of the county income tax liability of the municipality's residents or 0.37% of the Maryland taxable income of the municipality's residents.

Revenues

Individual income tax revenues are the largest single source of State revenues. **Exhibit 3.4** shows Maryland's individual income tax revenues for fiscal 2004 to 2023.

Distribution of Revenues

Individual income tax revenues (after an allowance for refunds, administrative costs, and unallocated withholdings) are distributed to the General Fund. The local portion of the tax imposed by the counties and Baltimore City (not reflected in Exhibit 3.4) is collected by the State and, after deducting administrative costs and a *pro rata* share of refunds, distributed to local governments.

Trends

The personal income tax, the State's single largest revenue source, is estimated to yield approximately $13.4 billion in fiscal 2023 (and an additional $8.5 billion for the counties and municipalities).

Personal income tax revenue growth slowed following the Great Recession – revenues decreased by a total of 11% in fiscal 2009 through 2011 – and the State experienced a slower subsequent growth rate relative to previous economic recoveries, primarily due to low wage growth. Subsequently, provisions of the federal Tax Cuts and Jobs Act of 2017 that impacted the State personal income tax led to a net increase in State and local revenues. Although personal income tax revenue growth slowed during fiscal 2020 with the onset of the coronavirus pandemic, revenues subsequently grew in the wake of both federal and State economic assistance, and this growth is expected to continue for fiscal 2023.

Exhibit 3.4
Maryland Individual Income Tax Revenues
Fiscal 2004-2023 Est.
($ in Millions)

Fiscal Year	Net State Revenues[1]	Percent Change
2004	$5,077.6	7.9%
2005	5,660.6	11.5%
2006	6,200.1	9.5%
2007	6,679.1	7.7%
2008	6,940.1	3.9%
2009	6,477.2	-6.7%
2010	6,178.2	-4.6%
2011	6,643.4	7.5%
2012	7,114.7	7.1%
2013	7,691.4	8.1%
2014	7,773.8	1.1%
2015	8,346.1	7.4%
2016	8,517.6	2.1%
2017	9,019.3	5.9%
2018	9,507.8	5.4%
2019	10,272.4	8.0%
2020	10,698.9	4.2%
2021	11,704.8	9.4%
2022 Est.	12,537.6	7.1%
2023 Est.	13,426.3	7.1%

[1] Net of refunds and distribution to subdivisions.

Source: Comptroller of the Treasury; Department of Legislative Services

Comparison with Other States

Exhibit 3.5 shows how Maryland's individual income tax compares with neighboring states.

Exhibit 3.5
Individual Income Tax
Maryland and Surrounding States
Tax Year 2022

State	Top State Tax Rate	Top Tax Bracket	Local Taxes
Maryland	5.75%	>$250,000/$300,000	Statewide, from 2.25 to 3.2%
Delaware	6.60%	>$60,000	Wilmington – 1.25%
Washington, DC	10.75%	>$1,000,000	n/a
Pennsylvania	3.07%	Applied to all taxable income	Widely imposed
Virginia	5.75%	>$17,000	None
West Virginia	6.50%	>$60,000	None

Source: Federation of Tax Administrators

History of Major Changes

1937 – Individual income tax enacted.

– Tax rate of 0.5%.

– Exemptions: $1,000 for individuals, $2,500 for married couples, and $400 for each additional dependent.

1940s – Rates frequently adjusted to yield nearly constant revenues.

1949 – Additional $1,000 exemption for aged or blind taxpayers.

– Tax credit of $600 for taxpayers with dependents over 65 years of age.

1955 – Employer withholding from wages.

– All exemptions set at $800.

1958 – Tax rate set at 3.0% of ordinary income.

1967 – Conformed State tax to federal income tax with addition and subtraction modifications.

– Imposed current tax rate structure.

– Piggyback county income tax enacted.

1979 – Increase in standard deduction from 10.0% to 13.0% of Maryland adjusted gross income with the maximum standard deduction increased to $1,500 per return ($3,000 for a joint return).

1985 – Social Security and railroad retirement benefits became subject to federal income tax; income from these sources made a subtraction modification (both effective for taxable year 1984).

1987 – Conformed State tax to federal income tax law changes with the exception of the tax treatment of capital gains (40.0% capital gains subtraction modification enacted).

– Personal exemption increased to $1,000 in 1987 and $1,100 in 1989.

– Standard deduction percentage increased to 15.0% with a minimum of $1,000 and maximum of $2,000 ($2,000 minimum and $4,000 maximum for joint returns).

– Earned income credit equal to 50.0% of federal earned income credit enacted.

– Tax amnesty program was held in the fall.

1989 – Personal exemption increased to $1,200 beginning in 1990.

– Standard deduction increased to a $1,500 minimum with a $2,000 maximum ($3,000 minimum and $4,000 maximum for joint returns).

– Subtraction modifications enacted for earned income of individuals below the poverty line.

– Decoupled from federal tax treatment of the elderly and blind by converting from an extra standard deduction to an additional exemption of $1,000.

1991 – Capital gains subtraction is limited based on income, then phased out; it decreased from 40.0% to 30.0% in 1991 and was eliminated for tax years after 1991.

1992 – Temporary 6.0% tax rate added for incomes over $100,000 for single taxpayers and $150,000 for joint returns; the rate applied for tax years 1992 through 1994 only.

– The option for married couples to file combined separate returns is eliminated, but a two-earner subtraction is allowed for up to $1,200 of salary income, resulting in a similar benefit.

– Local income ("piggyback") tax ceiling increased from 50.0% to 60.0% of State income tax liability.

1997 – Top rate reduced from 5.0% to 4.75%, and personal exemption increased from $1,200 to $2,400, phased in from 1998 to 2002; local income tax calculation based on 5.0% top rate and $1,200 personal exemption amount.

1998 – Phase-in of tax reduction accelerated; top rate reduced to 4.875% for 1998 (from 4.95%) and to 4.85% for 1999 (from 4.9%), and exemptions increased to $1,750 for 1998 (from $1,400) and to $1,850 for 1999 (from $1,600); last three years of phase-in unaffected.

– Earned income credit made refundable at 10.0% of the federal credit for 1998 and 1999, 12.5% for 2000, and 15.0% thereafter.

1999 – Alteration of the local income tax calculation so that the local tax is a percentage of Maryland taxable income (instead of a percentage of the State tax).

2000 – Acceleration of refundable earned income credit phase-in – made refundable at 15.0% of the federal credit for 2000.

2001 – Tax amnesty program was held in the fall.

– Refundable earned income credit made 16.0% of the federal credit for 2001 and 2002, 18.0% for 2003, and 20.0% for 2004.

2002 – Addition modification required for amounts deducted for federal income tax purposes for college tuition – decoupled from federal tax legislation.

– Addition modification required to calculate Maryland taxable income without regard to the special depreciation allowance and extended net operating loss carryover provisions allowed in federal tax legislation.

2003 – Legislation enacted designed to increase tax compliance, including imposing State income tax withholding in certain transactions, requiring withholding taxes to be remitted on a more frequent schedule, and requiring tax clearance for certain business licenses.

2004 – Addition modifications required to calculate Maryland taxable income without regard to increased business expensing allowed under Section 179 of the Internal Revenue Code and increased depreciation deduction for specified large sport utility vehicles as enacted by federal tax legislation.

– Legislation enacted related to the use of Delaware Holding Companies by businesses – an addition modification is created for the amount of specified payments made to a related party that are deducted for federal tax purposes, and a statutory settlement period is created for the Comptroller to settle the Delaware Holding Companies related legislation.

– Cancer Research Fund checkoff enacted.

2005 – Addition modification required to calculate Maryland taxable income without regard to qualified production activities income deduction as enacted by federal tax legislation.

2006 – Existing military retirement income subtraction modification expanded to $5,000 for all qualified military retirees.

2007* – Legislation increased the top income tax rate to 5.5%, expanded the refundable earned income credit by increasing the value to 25.0% of the federal credit and by expanding eligibility of the credit to individuals without dependents, and altered the value of the personal exemption from $2,400 for all taxpayers to between $600 and $3,200 depending on the taxpayer's federal adjusted gross income.

2008 – Temporary 6.25% tax rate added for incomes over $1 million for tax years 2008 through 2010 only.

2009 – Addition modification required to calculate Maryland taxable income without regard to the cancellation of debt income provisions allowed in the federal American Recovery and Reinvestment Act.

– Tax amnesty program was held in the fall.

2010 – Legislation created a State income tax credit for employers who hire qualified individuals between March 25 and December 31, 2010.

– Developmental Disabilities Services and Support Fund Contribution checkoff enacted.

2012* – Legislation increased several State income tax rates by 0.25%, altered the income tax brackets to which the rates applied, and altered the value of the personal exemption for some taxpayers.

– Legislation required the fiduciary of an electing small business trust to include the income derived from certain stock holdings for the purpose of calculating federal adjusted gross income.

2014 – Refundable earned income credit percentage increased from 25.0% to 28.0% of the federal credit, phased in over four years beginning in tax year 2015.

2015 – Tax amnesty program was held in the fall.

– Fair Campaign Financing Fund Contribution checkoff enacted.

2017 – Legislation established manufacturing tax incentives including a 10-year income tax credit based on the number of jobs created at a qualifying facility.

– The federal Tax Cuts and Jobs Act reduced, for subsequent years, the number of State taxpayers who itemize deductions as a result of the increased value of the federal standard deduction.

2018 – Maximum value of the standard deduction increased to $2,250 ($4,500 for joint returns).

2019 – Expansion of nonrefundable State income tax credit for qualified child and dependent care expenses.

2020 – Authorization for pass-through entities to elect to be taxed at an entity level for the income tax and allow members of the entity to claim a tax credit against the State and local income tax equal to the tax paid by the entity on the member's share of the entity's taxable income.

2021 – Legislation exempted certain economic impact payments, unemployment insurance benefits, forgiven utility arrearages, and coronavirus relief payments from taxation for certain taxable years.

– Refundable earned income credit percentage increased from 28% to 45% of the federal credit, value of earned income credit for individuals without a qualifying child increased to 100% of the federal credit, subject to a maximum of $530, and eligibility for earned income and poverty level credits expanded for taxable years 2020 through 2022.

– Legislation increased minimum county income tax rate from 1% to 2.25% and authorized counties to impose county income tax on a bracket basis.

2022 – Nonrefundable credit against State income tax for residents who are at least age 65 and whose federal adjusted gross income does not exceed $100,000 ($150,000 if married filing jointly).

* Special session.

Sections of the Maryland Annotated Code

Tax – General Article, Titles 2, 10, and 13

Legislative Handbook Series Cross-reference

Volume VI – Maryland Local Government

Chapter 4. Sales and Use Tax

Taxpayer

The sales and use tax is imposed on (1) the purchase of goods, including certain digital products and codes, sold in Maryland; (2) the use, storage, or consumption in Maryland of tangible personal property purchased outside the State; (3) certain services defined as taxable services under State law; and (4) remote sales of goods or taxable services for delivery in Maryland by out-of-state vendors. Vendors who are engaged in business in the State are required to collect the tax from purchasers.

Tax Base

The tax base for the sales and use tax is the taxable price of the goods and services sold that are subject to the tax.

Valuation of Base

The taxable price of goods subject to tax is defined by statute to include any consideration of any kind for a sale, including the value of a trade-in. Exclusions are provided for separately stated charges for installation, professional services, finance charges, delivery charges, certain taxes, certain mandatory gratuities for serving food or beverages, certain service charges in connection with the rental of video and audio equipment, or reimbursement of certain expenses in connection with providing a taxable detective service, and for the value of certain used parts on sales of remanufactured truck parts.

Tax Rates

The general sales and use tax is imposed on a bracket basis approximating 6%; a tax of 1 cent is imposed on sales of 20 cents; 2 cents is imposed on sales of at least 21 cents but less than 34 cents; 3 cents is imposed on sales of at least 34 cents but less than 51 cents; 4 cents is imposed on sales of at least 51 cents but less than 67 cents; 5 cents is imposed on sales of at least 67 cents but less than 84 cents; and 6 cents is imposed on sales of at least 84 cents. 6 cents is imposed on sales of at least $1 or more and for that part of a dollar in excess of an exact dollar. The tax does not apply to sales of less than 20 cents.

A special 11.5% tax rate is imposed on the rental of any passenger car or multipurpose vehicle that is rented for a period of 180 days or less, for which the lessor does not furnish a driver and which is not to be used for transporting passengers or property for hire. Certain rental trucks are taxed at 8%.

A special 8% tax rate is imposed on sales and charges made in connection with a shared motor vehicle used for peer-to-peer car sharing and made available on a peer-to-peer car sharing program. Beginning in fiscal 2022, a tax rate of 11.5% applies if the vehicle is a passenger car, a multipurpose vehicle, or a motorcycle that is part of a fleet of vehicles that includes more than 10 vehicles owned by the same person.

A special 9% tax rate is imposed on the sale of an alcoholic beverage. The general 6% tax rate applies to charges for labor, materials, or property used in connection with the sale of an alcoholic beverage and to a mandatory gratuity or service charge in the nature of a tip for serving food or any type of beverage to a group containing more than 10 individuals.

A special 12% tax rate is imposed on the sale of an electronic smoking device or tobacco pipe. Vaping liquid sold in a container that contains 5 milliliters or less of vaping liquid becomes subject to the sales and use tax at a 60% rate.

Special Provisions

Related Taxes

A motor vehicle excise (titling) tax of 6% is imposed on the sale of motor vehicles in lieu of the sales and use tax. See "Chapter 10. Transportation Revenues" of this handbook for more information.

An excise tax on vessels of 5% is imposed on the sale of boats in lieu of the sales and use tax. See "Chapter 9. Miscellaneous Taxes" of this handbook for more information.

A special use tax is imposed on the use of electricity not distributed by a public service company at a rate of 0.062 cents per kilowatt hour. The special use tax does not apply to electricity that is used for residential purposes or used exclusively for emergency backup generation and does not apply to onsite generated electricity.

The sales tax is imposed on 60% of the taxable price on the first retail sale of a mobile home and on the purchase of a modular home.

An admissions and amusement tax of 30% (33% in Calvert County) is imposed on the net proceeds from certain electronic gaming machines and electronic tip jars.

Services Taxed

Several services are taxed under the Maryland sales and use tax. These include:

- cellular phone and other mobile telecommunications services;

- telephone custom calling features;
- 900-type telephone services;
- certain telephone answering services;
- prepaid telephone calling arrangements;
- security services;
- commercial building cleaning;
- certain commercial cleaning and laundering of textiles for businesses;
- credit reporting services;
- pay-per-view television;
- production of tangible personal property by special order;
- transportation services for transmission, distribution, or delivery of taxable electricity or natural gas;
- consumption of wine not provided by a restaurant, club, or hotel;
- remote sales of taxable services for delivery in Maryland by out-of-state vendors; and
- certain short-term rental transactions facilitated by a short-term rental platform.

Major Exemptions

Numerous exemptions from the sales and use tax are provided under Maryland law. These include:

- sales of agricultural equipment and supplies;
- sales to and by specified nonprofit charitable, educational, or religious organizations;
- sales of a Maryland, United States, prisoner of war, or missing in action flag;
- sales of food by grocery stores, not including certain prepared foods;

- vending machine sales of snack foods, milk, fresh fruit and vegetables, and yogurt;
- bulk vending machine sales, if the taxable price of the merchandise is 75 cents or less;
- sales of natural gas, electricity, steam, oil, coal, and firewood for residential use;
- sales of aircraft, motor vehicles, railroad rolling stock, or vessels and parts or components used in interstate or foreign commerce;
- sales of materials, parts, or equipment used to repair, maintain, or upgrade specified aircraft or the avionics systems of aircraft and used in interstate or foreign commerce;
- casual and isolated sales of less than $1,000, under specified conditions, and certain capital transactions;
- sales of machinery, equipment, and other tangible personal property used directly and predominantly in a production activity;
- sales of medicines and medical supplies; certain health, physical, and hygienic aids; and certain baby products;;
- sales of photographic material and sales of artwork, composition, plates, *etc*. to commercial printers;
- sales of direct mail advertising literature and mail order catalogues to be distributed outside the State;
- sales of government documents;
- sales of property stored in the State pending shipment to another state and sales of property to a contractor for incorporation into real property in another jurisdiction where the personal use of that property would not be subject to a sales and use tax or similar tax;
- sales of property used or consumed in research and development;
- sales of certain equipment and supplies for seafood harvesting purposes;
- sales of personal, professional, or insurance services that involve a sale as an inconsequential element for which no separate charge is made;
- sales of specified custom software services;

- sales to the State and its political subdivisions (but not including sales to real property contractors for State or local governments);

- sales of items taxed under other laws, including admissions, motor fuel, certain communication services, and motor vehicles;

- sales of transportation services;

- sales of water through pipes and conduits;

- sales of property for resale or incorporated in other personal property produced for resale;

- sales of tangible personal property or a taxable service that is used directly in connection with a film production activity;

- purchases of specified tangible personal property purchased for use in the commercial cleaning or laundering of textiles;

- sales made to qualified veterans' organizations;

- sales of specified solar energy, geothermal, and wind energy equipment and of certain electricity generated by solar or wind energy for use in residential property;

- sales of construction material and warehousing equipment for use in furtherance of the construction or redevelopment of public school facilities managed by the Maryland Stadium Authority, certain racing facilities, racetrack sites, or a sports entertainment facility, specified qualified opportunity zones or target redevelopment areas, and specified transportation facilities;

- sales of qualified personal property for use at a qualified data center under certain circumstances; and

- sales of materials, equipment, or supplies to a licensed caterer if they are used to perform a contract for catering services and intended for resale in performing a catering contract.

Credit for Collections

To cover the expense of collection, persons filing timely returns are allowed to take a vendor credit against the gross tax remitted in an amount equal to 1.2% of the first $6,000 collected and 0.9% of the excess.

The amount of the sales tax vendor credit is limited to a maximum of $500 for each return filed.

During the COVID-19 pandemic, eligible vendors were permitted to retain an increased vendor tax credit for the three consecutive months following the enactment of Chapter 39 of 2021, the RELIEF Act. The amount of the vendor credit allowed was equal to the lesser of the amount of sales and use tax collected during the month the vendor qualified for the increased credit or $3,000.

Refunds

Refunds are made for overpayment of the tax for claims filed within four years from the payment of the tax.

Payment Dates

The tax is to be collected from purchasers at the time of sale or, in the case of out-of-state sales, when the use, storage, or consumption becomes subject to the tax. Vendors who have collected the tax and purchasers who have not paid the tax to vendors are required to remit the tax to the Comptroller by the twentieth day of the month following the month in which the sale or use occurred. The Comptroller is authorized to provide for less frequent filing schedules where circumstances warrant.

Administration of Tax

The Revenue Administration and Compliance divisions of the Comptroller of the Treasury are primarily responsible for collecting and administering the sales and use tax, the income tax, and certain other taxes.

Fines, Penalties, and Interest

A penalty of 10% of the tax due is assessed for failure to file a return, filing a return late, or underpayment of tax.

A penalty of 25% of the tax due is assessed for failure to comply with a notice and demand for payment of a sales and use tax assessment that is final.

A penalty of 100% of the tax due is assessed for fraudulent returns or failing to file a return with the intent to evade payment of tax.

Interest on unpaid sales and use tax is assessed at the rate set by statute or 3% above the prime rate, whichever is greater.

Local Taxing Authority

Local governments in Maryland are not authorized to impose general sales taxes. Certain local governments are authorized to levy selected sales taxes on certain categories of sales, the most common of which are utility, hotel rental, and parking taxes.

Revenues

Sales and use tax revenues are the State's second largest source of general fund revenues. **Exhibit 4.1** sets forth Maryland's sales and use tax revenues for fiscal 2004 to 2023.

Exhibit 4.1
Maryland Sales and Use Tax Revenues
Fiscal 2004-2023 Est.
($ in Millions)

Fiscal Year	Net General Fund Revenues[1]	TTF/CB 2010 Trust Fund	BMFF	Total Revenues	% Change
2004	$2,921.8			$2,921.8	8.3%
2005	3,129.4			3,129.4	7.1%
2006	3,355.2			3,355.2	7.2%
2007	3,420.2			3,420.2	1.9%
2008	3,675.3	$23.6		3,698.9	8.1%
2009	3,620.4	230.9		3,851.3	4.1%
2010	3,522.8	224.7		3,747.5	-2.7%
2011	3,656.0	240.7		3,896.7	4.0%
2012	4,039.4	37.3		4,076.6	4.6%
2013	4,067.8	46.4		4,114.2	0.9%
2014	4,143.2	52.8		4,196.0	2.0%
2015	4,350.7	59.2		4,409.9	5.1%
2016	4,444.4	59.8		4,504.2	2.1%
2017	4,539.3	70.2		4,609.5	2.3%
2018	4,645.8	70.4		4,716.2	2.3%
2019	4,812.1	76.6		4,888.7	3.7%
2020	4,634.9	70.4	$231.3	4,936.7	1.0%
2021	4,988.1	47.5	472.6[2]	5,458.9	10.6%
2022 Est.	5,651.9	53.7	562.5[2]	6,317.4	15.7%
2023 Est.	5,807.1	61.7	589.2	6,458.0	2.2%

BMFF: Blueprint for Maryland's Future Fund
CB: Chesapeake Bay
TTF: Transportation Trust Fund

[1] Revenues are net of refunds (but include license fees).
[2] This exhibit reflects the crediting of $49.2 million of fiscal 2022 BMFF revenues to fiscal 2021 to correct an under distribution during that year; as a result, revenues for fiscal 2021 and 2022 may not sum.

Source: Comptroller of the Treasury; Department of Legislative Services

Distribution of Revenues

After an allowance for refunds and administrative costs, sales tax revenues are generally distributed to the General Fund.

Revenues from the sales tax on short-term rental vehicles and peer-to-peer car sharing are distributed to the Chesapeake Bay 2010 Trust Fund (55%) and to the Transportation Trust Fund (45%).

To simplify administering the Blueprint for Maryland's Future Fund without reducing the amount of revenues going into the fund, Chapter 33 of 2022 requires that after making certain other distributions, the Comptroller must pay to the Blueprint Fund the following percentage of the remaining sales and use tax revenues:

- 9.2% for fiscal 2023;
- 11.0% for fiscal 2024;
- 11.3% for fiscal 2025;
- 11.7% for fiscal 2026; and
- 12.1% for fiscal 2027 and each subsequent fiscal year.

Chapter 33 repealed a previous requirement that the Comptroller distribute sales and use tax revenue from marketplace facilitators, certain out-of-state vendors, and the sale or use of specified digital products or digital codes to the Blueprint Fund.

Trends

Sales tax revenues grew steadily from fiscal 2007 to 2009, but the growth in revenues in fiscal 2008 and 2009 was primarily due to the rate increase from 5% to 6% enacted during the 2007 special session. After a decline in fiscal 2010, sales tax revenues increased beginning in fiscal 2011. After a year of strong growth in fiscal 2015, subsequent revenue growth was modest and continued through fiscal 2019. Following a year of marginal growth in fiscal 2020 despite the spread of the COVID-19 pandemic, sales tax revenue grew significantly in fiscal 2021 and 2022, attributable in part to a shift of personal consumption from services to goods and the provision of pandemic assistance to individuals. While increased growth is anticipated for fiscal 2023, the growth in subsequent years is expected to slow.

Comparison with Other States

Sales and use taxes are imposed by 45 states and the District of Columbia, but there is little uniformity in tax rates, tax bases, and exemptions from state to state. **Exhibit 4.2** shows how Maryland's sales and use tax rate compares with other states in the region for tax year 2022.

Exhibit 4.2
Maryland Sales and Use Tax
Comparison to Surrounding States
Tax Year 2022

State	% Tax Rate		Local Sales Tax
Maryland	6.0%		No
Delaware		No state or local tax	
District of Columbia	6.0%		n/a
Pennsylvania	6.0%		Philadelphia has a 2.0% rate and Allegheny County has a 1.0% rate[1]
Virginia	4.3%[2]		Yes – Mandatory 1.0% and additional authorized
West Virginia	6.0%		70 municipalities – 1%

[1] Pennsylvania law authorizes local jurisdictions to impose sales and use taxes under certain circumstances. Currently, only Philadelphia and Allegheny County impose such taxes.
[2] An additional state tax of (1) 0.7% is imposed in localities in Central Virginia, Northern Virginia, and the Hampton Roads region; (2) 1.0% in Charlotte, Gloucester, Halifax, Henry, Northampton, and Patrick counties; and (3) 1.7% is imposed in localities in the Historic Triangle.

Source: Tax Foundation; Department of Legislative Services

History of Major Changes

1947	–	Retail sales and use taxes enacted at 2% rate and first imposed on July 1, 1947.
1959	–	Rate increased to 3%.
1969	–	Rate increased to 4%.
1977	–	Rate increased to 5%.
1980	–	Sales of manufacturing machinery and equipment, residential utilities, and cigarettes exempted from the tax.
1991	–	Exemption for cigarettes repealed.
1992	–	Cleaning, security, custom telephone, credit reporting, and pay-per-view television services added to taxable base, and tax imposed on snack foods and food for immediate consumption.
1995	–	Long-term motor vehicle leases exempted from the tax.
1996	–	Exemption for snack foods restored.
1997	–	Exemption for tangible personal property used in a production activity broadened, phased in through a credit and fully effective July 1, 2000.
2002	–	Sales and use tax vendor credit reduced by half so that vendors received 0.6% for the first $6,000 collected and 0.45% for any amount above that for fiscal 2003 and 2004.
2004	–	Continuation of the vendor credit reduction for fiscal 2005 and 2006.
2005	–	Elimination of the vendor credit for use tax payments.
2006	–	Exemption for sales made to qualified veterans organizations, effective for fiscal 2007 through 2009 only.

2007* – Rate increased to 6%.

– Tax imposed on various computer services effective July 1, 2008.

– Vendor credit is limited to a maximum of $500 for each return filed.

– Exemption for the sale of clothing or footwear (except accessories), if the taxable price of the item is $100 or less, for the seven-day period from the second Sunday in August through the following Saturday, beginning in calendar 2010.

– Exemption for the sale of solar water heaters or certain products meeting or exceeding certain Energy Star efficiency requirements, for the weekend that consists of the Saturday that precedes the third Monday in February, beginning in calendar 2011.

– An admissions and amusement tax of 30% is imposed on the net receipts from certain electronic gaming machines and electronic tip jars.

2008 – Tax imposed on computer services repealed.

– Exemption for the sale of certain solar energy and geothermal equipment.

2009 – Exemption for sales made to qualified veterans' organizations extended through June 30, 2012.

– Exemption for the sale of equipment installed on residential property to generate electricity from wind energy.

2010 – Exemption for sales made to qualified veterans' organizations extended to those organized under § 501(c)(4) of the Internal Revenue Code.

2011 – Tax on retail sale of alcoholic beverages increased from 6% to 9%.

– Vendor collection credit limitation made permanent.

– Sales tax revenue distribution to the Transportation Trust Fund eliminated.

2012 – Tax on labor, materials, and gratuities associated with the retail sale of alcoholic beverages set at 6%.

– Exemption for sales made to a veterans' organization made permanent.

– Admissions and amusement tax rate imposed on the net receipts from certain electronic gaming machines and electronic tip jars in Calvert County increased from 30% to 33%.

2016 – Accommodations intermediaries required to collect and remit sales taxes on the full amount of consideration paid by a buyer for an accommodation.

2017 – Exemption for the first $40 of the taxable price of backpacks and bookbags during the designated sales tax-free period for back-to-school shopping.

– Sales tax refund for personal property and services purchased for use at an eligible project enrolled in the More Jobs for Marylanders Program in the Department of Commerce, subject to program budget limits.

2018 – Exemption for qualified personal property and services purchased by a Fortune 100 company for use at an eligible project enrolled in the Promoting ext-Raordinary Innovation in Maryland's Economy program in the Department of Commerce.

– Tax on sales and charges made in connection with a shared motor vehicle used for peer-to-peer car sharing and made available on a peer-to-peer car sharing program set at 8%.

2019 – Tax imposed on remote sales of tangible personal property or taxable services for delivery in Maryland by out-of-state vendors.

– Tax imposed on specified short-term rental transactions facilitated by a short-term rental platform.

2020 – Exemption for sale of qualified personal property for use at a qualified data center.

2021 – Tax imposed on specified digital products and codes for delivery in Maryland.

– Temporary increase of vendor collection credit during the COVID-19 pandemic for three consecutive months after the enactment of the RELIEF Act.

– Tax imposed on electronic smoking devices and tobacco pipes set at 12% and vaping liquid sold in a container that contains 5 milliliters or less of vaping liquid at a 60%.

2022 – Alteration of distribution of sales and use tax revenues to the Blueprint for Maryland's Future Fund.

***** Special session.

Sections of the Maryland Annotated Code

Tax – General Article, Titles 2, 11, and 13

Legislative Handbook Series Cross-reference

Volume VI – Maryland Local Government

Chapter 5. Business Taxes

Corporate Income Tax

Taxpayer

Each Maryland corporation and every other corporation that conducts business within Maryland, including public service companies and financial institutions, are required to pay the corporate income tax.

Tax Base

The tax base is the portion of federal taxable income, as determined for federal income tax purposes and adjusted for certain Maryland addition and subtraction modifications, that is allocable to Maryland. Federal taxable income for this purpose is the difference between total federal income and total federal deductions (including the net operating loss deduction and other special deductions).

In the case of an affiliated group of corporations, each separate corporation must file a separate income tax return and determine its own taxable income on a separate basis, taking into account only the isolated income and business activities of each separate legal entity.

Valuation of Base

The corporate taxpayer states the value of the base in the return. The return is subject to examination and audit.

Tax Rate

A tax rate of 8.25% is applied to Maryland taxable income.

Computation of Tax

Exhibit 5.1 summarizes the components of the corporate income tax computation.

Exhibit 5.1
Computation of Corporate Income Tax
Tax Year 2016
($ in Millions)

Federal Taxable Income	**$378,158**
plus	
addition modifications	72,781
less	
subtraction modifications	29,553
equals	
Maryland Modified Income	**$421,386**
multiplied by	
apportionment factor	
equals	
Maryland Taxable Income	
multiplied by	
State tax rate	8.25%
equals	
Gross Maryland Tax	**$1,070.9**
less	
tax credits	29.4
equals	
Maryland Tax Liability	**$1,041.5**

Source: Comptroller of the Treasury; Annotated Code of Maryland, Title 10 of the Tax – General Article

Special Provisions

Addition Modifications to Federal Taxable Income

Several addition modifications are provided under the Maryland corporate income tax. These include:

- state and local income taxes;
- interest or dividends attributable to state or local obligations (except Maryland and its subdivisions);

- net operating loss modification to the extent of a double benefit;
- interest or dividends on U.S. or foreign obligations if exempted from federal income tax but not state income tax;
- net capital loss carryback;
- expenses attributable to unlicensed/unregistered child care center or family day care home;
- credit for share of taxes paid by pass-through entities;
- adjustments to reflect the State disallowance of or limitations on certain amounts allowed for depreciation and net operating loss deductions for federal tax purposes;
- otherwise deductible interest or intangible expenses paid to a related entity under specified circumstances;
- the amount of the dividends paid deduction allowed under the Internal Revenue Code to a "captive REIT" (real estate investment trust more than 50% of which is owned or controlled by a single entity); and
- the value of specified State tax credits.

Subtraction Modifications to Federal Taxable Income

Numerous subtraction modifications are provided under the Maryland corporate income tax. These include:

- interest income attributable to obligations of the United States and its instrumentalities;
- dividends received from mutual funds that derive at least 50% of their interest from U.S. government obligations;
- refunds of State and local income taxes;
- profit realized from the sale or exchange of bonds issued by the State or its political subdivisions;
- expenses to buy and install handrails in an existing elevator in a health care facility or any building that is used 50% or more for medical purposes;
- donations to diaper banks and other specified charitable entities;

- gain or loss on the disposition of certain assets by a public service company;
- dividends received by domestic corporations from certain foreign corporations, if the receiving corporation owns 50% or more of the paying corporation's outstanding stock;
- dividends included in the income of a domestic corporation claiming a foreign tax credit under Section 78 of the Internal Revenue Code;
- expenses incurred for certain enhanced agricultural management equipment (including liquid manure soil injection equipment);
- a portion of dividends received from affiliated domestic international sales corporations;
- twice the expenses incurred for certain reforestation or timber stand improvement activity;
- payments for relocation and assistance under Real Property Article, Title 12, Subtitle 2;
- for a regulated investment company, the amount of the addition for interest and dividends from state or local obligations of another state; and
- wages paid related to the federal targeted jobs credit for which a federal deduction was not allowed, not to exceed the federal targeted jobs credit.

Exemptions

Entities not required to file a corporate income tax return include:

- individual retirement account trusts that are exempt from federal income taxation, except those with taxable income for federal purposes;
- common trust funds;
- nonprofit organizations that are exempt from federal income taxation, except for any unrelated business taxable income;
- investment conduits, such as a regulated investment company, a real estate investment company, and a real estate mortgage investment conduit, except those with taxable income for federal purposes;
- insurance companies subject to the insurance premium tax;
- business trusts;

- partnerships as defined in Section 761 of the Internal Revenue Code;

- small business corporations that have elected to be taxed in accordance with Subchapter S of the Internal Revenue Code, except to the extent that their income is subject to federal income tax; and

- limited liability companies to the extent that the company is taxable as a partnership.

Apportionment of Income

Corporations engaged in multistate operations are required to determine the portion of their modified income attributable to Maryland, a determination based on the amount of their trade or business that is carried out in Maryland. Prior to tax year 2018, corporations were generally required to use a three-factor formula that incorporates property, payroll, and a double-weighted receipts factor (receipts thus represent 50% of the final apportionment factor). Corporations engaged primarily in manufacturing activities were required to use a one-factor formula based on sales, referred to as a "single sales factor." Under the single sales factor formula, income subject to Maryland income tax is determined by taking into account only the fraction of in-state sales to total sales made by the corporation. The apportionment factor is multiplied by a corporation's modified total income to determine the amount subject to Maryland tax.

Chapters 341 and 342 of 2018 phased in a single sales factor formula used to apportion income to the State for the corporate income tax over a five-year period beginning in tax year 2018. Beginning in tax year 2022, all corporations subject to the corporate income tax, with the exception of specified worldwide headquartered companies, that carry on a trade or business within and outside of the State must allocate to the State the part of the corporation's Maryland modified income derived from or attributed to being carried on in the State using an apportionment formula in which Maryland modified income is multiplied by 100% of the sales factor.

In the case of an affiliated group of corporations, each separate corporation must file a separate income tax return and determine its own taxable income on a separate basis, taking into account only the isolated income and business activities of each separate legal entity.

Corporations engaged primarily in leasing or rental activities are required to use an equally weighted two-factor formula of receipts and property. Corporations engaged primarily in transportation activities are required to use a one-factor formula specific to the industry.

Tax Credits

Major credits allowed against State tax liability include:

- any estimated or tentative tax payments remitted for the account;

- certain wages paid to qualified employees in an enterprise zone or a focus area;

- certain wages and child care and transportation expenses for qualified employees with disabilities;
- job creation tax credit (a portion of wages paid by certain businesses that expand or establish in the State and create a minimum number of jobs);
- businesses that create new jobs tax credit;
- neighborhood and community assistance credit;
- historic revitalization and catalytic revitalization project credits;
- One Maryland economic development credit;
- employer-provided long-term care insurance credit;
- research and development expenses credit;
- credit for an easement conveyed to the Maryland Environmental Trust, the Maryland Agricultural Land Preservation Foundation, or the Department of Natural Resources;
- employer-provided commuter benefits credit;
- biotechnology company investment tax credit;
- innovation investment incentive tax credit;
- film and theatrical production activity tax credits;
- small business relief tax credit;
- qualified workforce housing project credit;
- work opportunity tax credit; and
- More Jobs for Marylanders tax credit.

Refunds

Generally, refunds are made for overpayment of tax for claims made within three years from the date the tax return was originally filed or two years from the date of payment, whichever is later.

Payment Dates

Annual returns are due by the fifteenth day of the fourth month, following the close of the corporation's taxable year (April 15 for calendar year taxpayers).

Quarterly declarations of estimated tax are due when the tax for a taxable year can reasonably be expected to exceed $1,000. Such quarterly declarations are due by the fifteenth day of the fourth, sixth, ninth, and twelfth months of the taxable year.

Tentative tax payments remitted with an application for extension of time to file are required by the original annual return due date.

Administration of Tax

The Revenue Administration and Compliance divisions of the Comptroller of the Treasury are primarily responsible for collecting and administering the individual and corporate income tax, the sales and use tax, and certain other taxes.

Fines, Penalties, and Interest

Interest on unpaid corporate income tax is assessed at the rate set by statute (9% beginning in 2023) or 3% above prime rate, whichever is greater. For failure to timely remit the tax due, a penalty not exceeding 10% of the unpaid tax must be assessed. Following a demand for payment, an additional penalty of 25% of the tax due must be assessed. For failure to remit quarterly estimated corporate income tax payments, a penalty not exceeding 25% of the underestimated tax must be assessed. A penalty not exceeding 100% of the underpayment of the tax is assessed for fraudulent returns or failing to file a return with intent to evade payment of tax.

Local Taxing Authority

None.

Revenues

Exhibit 5.2 shows corporate income tax revenues from fiscal 2004 to 2023.

Exhibit 5.2
Maryland Corporate Income Tax Revenues
Fiscal 2004-2023 Est.
($ in Millions)

Year	Transportation Trust Fund Allocation	Higher Education Investment Fund Allocation	General Fund Allocation	Total State Revenues[1]	Percent Change
2004[2]	$103.8	-	$328.6	$432.3	14.0%
2005[2]	161.8	-	512.2	674.0	55.9%
2006[2]	196.8	-	623.2	820.0	21.7%
2007[3]	186.2	-	589.8	782.0	-4.6%
2008[4]	167.7	$16.0	551.7	735.3	-6.0%
2009	151.3	47.0	550.7	749.0	1.9%
2010[5]	147.0	43.3	560.3	750.6	0.2%
2011	158.0	46.6	571.3	775.8	3.4%
2012	178.8	52.7	646.5	877.9	13.2%
2013	157.1	76.7	818.2	952.1	8.5%
2014	162.6	59.0	761.2	982.8	3.2%
2015	166.1	60.2	777.3	1,003.6	2.1%
2016[6]	185.7	67.3	869.3	1,122.3	11.8%
2017	146.2	60.1	795.6	1,001.9	-10.7%
2018	150.8	62.0	820.4	1,033.2	3.1%
2019	189.9	78.1	1,033.1	1,301.1	25.9%
2020	193.3	79.5	1,051.8	1,324.6	1.8%
2021	268.7	110.5	1,461.9	1,841.0	39.0%
2022 Est.	295.3	121.4	1,606.4	2,023.1	9.9%
2023 Est.	309.8	127.4	1,685.6	2,122.7	4.9%

[1] Net of refunds.
[2] The 2004 through 2006 figures exclude revenues from settlements related to Delaware Holding Companies.
[3] The 2007 Total State Revenues figure includes $6 million distributed to the Electric Universal Service Fund.
[4] Distributions from corporate income tax revenue to the Higher Education Investment Fund began in fiscal 2008.
[5] The 2010 figures exclude revenue from the 2009 tax amnesty program and $129 million in extraordinary corporate income tax revenue distributed to the General Fund pursuant to Chapter 484 of 2010.
[6] 2016 figures exclude revenue from the 2015 tax amnesty program.

Source: Comptroller of the Treasury; Department of Legislative Services

Distribution of Revenues

After an allowance for refunds, a distribution is made from corporate income tax revenues to the Higher Education Investment Fund, and then a distribution is made to the General Fund. A distribution is then made to an administrative cost account for the Transportation Trust Fund's share of the cost of administering the income tax on corporations, 17.2% of the remaining corporate income tax revenues are distributed to the Gasoline and Motor Vehicle Revenue Account in the Transportation Trust Fund, and the balance is distributed to the General Fund. Chapter 240 of 2022 increases the portion of the corporate income tax revenue that must be distributed to the Gasoline and Motor Vehicle Revenue Account from 17.2% to 20% for fiscal 2024; 21% for fiscal 2025; 22% for fiscal 2026 and 2027; and 20% for fiscal 2028 and each fiscal year thereafter.

Trends

In general, both corporate income tax revenues and corporate profits have increased during economic booms and slowed or declined during economic downturns. The inherent volatility of corporate income tax revenues makes them a relatively unpredictable source of revenue. Corporate income tax revenues grew 39.0% in fiscal 2021, which is likely attributable to continuing impacts of the federal Tax Cuts and Jobs Act, COVID-19 pandemic stimulus measures, and continued growth of total income and spending despite the pandemic. Revenue growth is expected to slow going forward.

Comparison with Other States

Exhibit 5.3 compares Maryland's corporate income tax rates with neighboring states.

Exhibit 5.3
Maryland Corporate Income Tax Rates
Comparison to Surrounding States
Tax Year 2022

	Tax Rate
Maryland	8.25%
Delaware	8.70%
District of Columbia	8.25%
Pennsylvania	9.99%
Virginia	6.00%
West Virginia	6.50%

Source: Federation of Tax Administrators

History of Major Changes Since 2000

1937	–	Corporate income tax enacted.
2000	–	Financial institutions franchise tax and savings and loan franchise tax repealed, making financial institutions subject to the corporation income tax.
2001	–	Single factor (receipts) allocation formula for manufacturing enacted.
2002	–	Maryland income tax is decoupled from the special depreciation and net operation loss provisions of the federal Job Creation and Worker Assistance Act of 2002.
2004	–	Addition modification required for otherwise deductible interest or intangible expenses paid to related entity under specified circumstances.
2007	–	Addition modification required for dividends paid deduction allowed for federal tax purposes to a "captive REIT" (real estate investment trust more than 50% of which is owned or controlled by a single entity).
	–	*Tax rate increased from 7.0% to 8.25%, effective for tax years beginning after December 31, 2007.
	–	*For tax years 2006 through 2010, for information purposes only, corporations required to submit *pro forma* "combined report" for corporate groups.
2012*	–	Tax credit for property taxes paid on certain telecommunications property is repealed.
2018	–	Single sales factor allocation formula for most companies gradually phased in by tax year 2022.
2020	–	Authorization for pass-through entities to elect to be taxed at the entity level for the income tax.

* Special session.

Sections of the Maryland Annotated Code

Tax – General Article, Titles 2, 10, and 13

Digital Advertising Gross Revenues Tax

Taxpayer

Persons with global annual gross revenues equal to or greater than $100 million must pay a tax on the portion of those revenues derived from digital advertising services in Maryland. Every person that reasonably expects its gross revenues derived from digital advertising services in the State to exceed $1 million for the calendar year must make estimated digital advertising gross revenues tax payments.

Tax Base

The tax base is the portion of annual gross revenues derived from digital advertising services that is allocable to Maryland.

Valuation of Base

The taxpayer states the value of the base in the return. The return is subject to examination and audit.

Tax Rate

A tax rate between 2.5% and 10.0% is applied to the Maryland assessable base, based on global annual gross revenues.

Distribution of Revenues

The revenues are distributed to the Blueprint for Maryland's Future Fund, after the Comptroller's costs to administer the tax are deducted.

Payment Dates

An estimated payment of 25% of the anticipated tax for the full year must be paid by April 15, June 15, September 15, and December 15 of the current year. The final tax return for the preceding calendar year is due to the department by April 15, along with any final payment.

Administration of Tax

The Comptroller of the Treasury is responsible for administering this tax, among others.

Fines, Penalties, and Interest

Interest on unpaid tax is assessed at the rate set by statute or 3% above prime rate, whichever is greater. In addition, for failure to timely remit the tax due, a penalty not exceeding 10% of the unpaid tax shall be assessed.

Interest on an amount of underestimated tax is assessed at the rate set by statute or 3% above prime rate, whichever is greater. In addition, a penalty not exceeding 25% of unpaid tax shall be assessed.

Following a demand for payment, an additional penalty of 25% of unpaid tax shall be assessed.

A penalty not exceeding 100% of the underpayment of the tax is assessed for fraudulent returns.

Local Taxing Authority

None.

Revenues

Chapter 37 of 2021 imposed a tax on the annual gross revenues of a business derived from specified digital advertising services in the State. The legislation was passed during the 2020 session but vetoed by the Governor. The legislature overrode the veto during the 2021 session. At that time, it was estimated that digital advertising service revenues could generate as much as $250.0 million in the first full year that the tax is imposed and collected.

The State began collecting digital advertising tax revenues in April 2022 and has received approximately $25.0 million in fiscal 2022. The potential for legal challenges and compliance issues may significantly impact the amount of revenues the State collects from the tax, particularly in the short term.

History of Major Changes

2021 – Digital advertising gross revenues tax enacted.

Sections of the Maryland Annotated Code

Tax – General Article, Titles 2, 7.5, and 13

Public Service Company Franchise Tax

Taxpayer

Persons engaged in a telephone business in Maryland or the delivery, transmission, or distribution of electricity or natural gas in Maryland must pay the public service company franchise tax.

Tax Base

For telephone, electric, and gas companies, a tax is imposed measured by the company's gross receipts. Gross receipts are defined as the total operating revenues of the public service companies, excluding revenue derived from an activity other than a telephone, electric, or natural gas business. Gross receipts do not include uncollectible revenue, receipts from a service or product resold by another public service company that is subject to the tax, or gross receipts from the sale of electricity or natural gas.

For electric and gas companies, a second tax is imposed measured by the kilowatt-hours of electricity or therms of natural gas delivered for final consumption in the State.

Valuation of Base

The value is stated in reports filed annually on or before April 15 with the State Department of Assessments and Taxation.

Tax Rate

The rate for the gross receipts component of the tax is 2% of gross revenues. The rate of the distribution tax imposed on electric and gas companies is 0.062 cents per kilowatt-hour for electricity delivered for final consumption and 0.402 cents per therm for natural gas delivered for final consumption.

Special Provisions

Exemptions

The gross receipts component of the tax does not apply to a public service company that is a county, municipal corporation, or nonprofit electric cooperative. Counties and municipal corporations are exempt from the distribution component of the tax with respect to natural gas only. A public service company that is a public-private partnership formed for the generation of clean or renewable energy is exempt from the public service company franchise tax if (1) 30% or more of the electricity generated through the public-private partnership is purchased by the public partner and (2) the clean or renewable energy generating station is sited on an eligible clean and renewable energy generation site, as determined by the Maryland Department of the Environment, including rooftops, parking lots, landfills, brownfield sites, voluntary cleanup program sites, reclaimed mines, Superfund sites, and sediment or retention ponds.

Allocation of Gross Receipts

The tax is applied to gross receipts derived from business in Maryland. The income of interstate telephone carriers is apportioned based on the location to which the service is charged.

Tax Credits

Major credits allowed against the tax include:

- estimated tax payments;
- tariff charges for telephone lifeline services not billed to eligible subscribers;
- taxes paid by a long-distance telecommunications company on services taxed in another state;
- certain wages and child care and transportation expenses for qualified employees with disabilities;
- certain wages paid for new jobs created in the State; and
- employer provided long-term care insurance.

Electricity and natural gas providers are also allowed a credit for electricity or gas delivered to industrial customers for production activities. This credit must be passed on to the industrial customers in the form of lower rates. For electricity, the credit is 0.002 cents per kilowatt-hour between 500 million and 1.5 billion kilowatt hours during a calendar year delivered to a single industrial consumer at the same location for use in a production activity. For more than 1.5 billion kilowatt hours delivered, the credit rate is 0.0455 cents per kilowatt-hour. The credit for natural gas equals the tax imposed, so industrial consumers of natural gas are effectively exempted from the distribution tax for natural gas delivered for use in a production activity.

Payment Dates

An estimated payment of 25% of the anticipated tax for the full year for both components (gross receipts and distribution) must be paid to the State Department of Assessments and Taxation by April 15, June 15, September 15, and December 15 of the current year. The final tax return for the preceding calendar year is due to the department by April 15, along with any final payment.

Administration of Tax

The State Department of Assessments and Taxation's Business Property Valuation Program is responsible for administering this tax, among others.

Fines, Penalties, and Interest

Interest on unpaid tax is assessed at the rate set by statute or 3% above prime rate, whichever is greater. In addition, for failure to timely remit the tax due, a penalty not exceeding 10% of the unpaid tax shall be assessed.

Interest on an amount of underestimated tax is assessed at the rate set by statute or 3% above prime rate, whichever is greater. In addition, a penalty not exceeding 25% of unpaid tax shall be assessed.

Following a demand for payment, an additional penalty of 25% of unpaid tax shall be assessed.

A penalty not exceeding 100% of the underpayment of the tax is assessed for fraudulent returns.

Local Taxing Authority

Subdivisions do not have the authority to levy a franchise/gross receipts tax, although several levy a sales tax on the sales of selected public service corporations.

Revenues

Exhibit 5.4 shows the public service company franchise tax revenues from fiscal 2004 to 2023.

Exhibit 5.4
Public Service Company Franchise Tax Revenues
Fiscal 2004-2023 Est.
($ in Millions)

Year	Net Revenues[1]	Percent Change
2004	$137.4	5.6%
2005	133.3	-3.0%
2006	125.2	-6.1%
2007	132.8	6.1%
2008	133.5	0.5%
2009	124.9	-6.4%
2010	124.1	-0.6%
2011	131.6	6.0%
2012	127.1	-3.4%
2013	123.5	-2.8%
2014	139.3	12.8%
2015	136.0	-2.4%
2016	137.5	1.1%
2017	138.3	0.6%
2018	145.4	5.1%
2019	146.3	0.6%
2020	137.7	-5.9%
2021	144.3	4.8%
2022 Est.	141.5	-1.9%
2023 Est.	143.7	1.6%

[1] Net of refunds.

Source: Comptroller of the Treasury; Department of Legislative Services

Distribution of Revenues

The revenues are distributed to the General Fund.

Trends

Although public service company franchise tax revenues grew in fiscal 2014, revenues have been relatively stagnant since then, as modest growth from the taxes on the electric and natural gas industries has been offset by declines in tax revenues from telecommunications companies.

History of Major Changes

1972 – Gross receipts tax enacted.

1980 – Eliminated 2% gross receipts tax on railroads in lieu of State property tax.

1988 – State Department of Assessments and Taxation given full responsibility for administering the tax. Formerly, administration had been shared with the Comptroller of the Treasury.

– Tax recodified as the "Public Service Company Franchise Tax." Formerly, the tax was the "Gross Receipts Franchise Tax."

1992 – Method of apportioning interstate revenues for telephone companies altered and codified.

– Quarterly estimated tax payments instituted.

– Tax payments in excess of $20,000 may be required to be made via electronic funds transfer.

1997 – Telecommunications companies required to disclose the tax as a line item on the telephone bill.

– Revenues from Internet access service exempted from the tax.

1999 – Taxation of electric and gas utilities changed to current structure of franchise tax on distribution with proceeds of sales of electricity and gas subject to the corporate income tax. Previously, the franchise tax was on gross receipts from the sale and distribution of electricity and natural gas.

2020 – Specified public-private partnerships formed for the generation of clean or renewable energy exempted from the tax.

Sections of the Maryland Annotated Code

Tax – General Article, Titles 2, 8, and 13

Legislative Handbook Series Cross-reference

Volume VI – Maryland Local Government

Insurance Premium Tax

Taxpayer

Each authorized insurance company, surplus lines broker, or unauthorized insurance company that sells or an individual who independently procures any type of insurance coverage upon a risk that is located in the State is required to pay the insurance premium tax. For-profit health maintenance organizations and Medicaid managed care organizations are also required to pay the tax.

Authorized insurers are those insurance companies licensed to engage in the insurance business in Maryland. Unauthorized insurers are those insurance companies not licensed to engage in the insurance business in Maryland. The majority of unauthorized insurers that are allowed to operate in the State offer specialty insurance not offered by any authorized insurer in the State.

Tax Base

The tax base is the taxpayer's gross premiums less exclusions specified by law, which yields net premiums. For a for-profit health maintenance organization, premiums subject to the tax include subscription charges or other amounts paid on a periodic basis as compensation for providing health care services to members. For a managed care organization, premiums to be taxed include gross receipts received as a result of capitation payments, supplemental payments, and bonus payments for provider services to enrollees.

Valuation of Base

Value is determined by the net value of premiums reported in a calendar year to the Insurance Commissioner and is subject to audit.

Tax Rates

Authorized Insurers

A tax rate of 2% is imposed on all authorized classes of new or renewal net direct insurance policy premiums written by insurance companies, on gross receipts received as a result of capitation payments, supplemental payments, and bonus payments made to managed care organizations and subscription amounts or other amounts paid to for-profit health maintenance organizations.

A retaliatory tax is imposed on insurers whose state of charter requires the payment of a higher rate than that levied by Maryland.

State Reinsurance Program

The State reinsurance program provides reinsurance to carriers that offer individual health benefit plans in the State to mitigate the impact of high-risk individuals on rates in the individual market. The State reinsurance program is funded by both State and federal funds. To provide State funds for the program, Chapters 37 and 38 of 2018 established a health insurance provider fee assessment of 2.75% on specified entities for calendar 2019 only. Chapters 597 and 598 of 2019 extended the assessment through calendar 2023 and reduced the assessment to 1%.

The federal waiver authorizing the State reinsurance program expires in December 2023. A State funding source is required for waiver renewal and to continue receiving federal funds. Chapter 59 of 2022 extended the 1% provider fee assessment through calendar 2028. A standalone dental or vision plan carrier subject to the provider fee assessment is exempt from certain health care regulatory assessments for each calendar year in which the provider fee assessment is paid.

Unauthorized Insurers

A tax rate of 3% is imposed on all authorized classes of new or renewal insurance policy gross premiums, less any returned premiums charged, placed by licensed surplus lines brokers and unauthorized insurance companies. The insured pays this tax (in addition to the premium) to the surplus lines broker or directly to the Insurance Commissioner.

Special Provisions

Exclusions from Gross Premiums

Various exclusions and exemptions from the insurance premium tax are provided under Maryland law, as listed below:

- premiums on policies covering weekly disability benefit payments;
- credits on premiums for industrial insurers for payments made to home/branch offices;
- annuities (taxed at 0% rate);
- returned premiums, not including surrender values;
- dividends to policyholders; and
- returns or refunds due to retrospective ratings or safe driver awards.

Exemptions

Estimated, Gross Direct Premium, and Deposit Tax – Authorized Insurers:

- nonprofit health service plan corporations that meet certain public service requirements;
- fraternal benefit societies;
- nonprofit health maintenance organizations, under certain circumstances;
- the Maryland Automobile Insurance Fund; and
- qualified nonprofit health insurance issuers that are established under the federal Patient Protection and Affordable Care Act.

Premium Receipt Tax – Unauthorized Insurers:

- life and health insurance in effect on July 1, 1968;
- annuities;
- reinsurance;
- wet marine insurance;
- transportation insurance;
- insurance on subjects located, resident, or to be performed wholly outside of this State;
- insurance on vehicles or aircraft owned and principally garaged outside of this State;
- insurance on property or operation of railroads engaged in interstate commerce;
- insurance of certain aircraft arising out of the ownership, maintenance, or use of such aircraft;
- insurance against legal liability arising out of the ownership, operation, or maintenance of any property having a permanent situs outside of this State; and
- insurance against the perils of navigation, transit, or transportation upon certain shipowner's interest.

Allocation

Gross direct premiums are allocated on the basis of the portion derived from or reasonably attributable to a company's insurance business conducted in the State.

Tax Credits

The following credits may be claimed against the premium tax:

- certain wages and child care and transportation expenses for qualified employees with disabilities;
- certain wages paid for new jobs created in the State;
- neighborhood and community assistance programs;
- historic revitalization;
- employer-provided long-term care insurance;
- employer-provided commuter benefits;
- One Maryland economic development startup costs;
- property tax related to the businesses that create new jobs program; and
- qualified contributions to the Invest Maryland program.

Surplus lines brokers are allowed a credit against taxes for any costs, paid or charged, of an examination of their records and operations.

Payment Dates

Any authorized insurer subject to taxation, including for-profit health maintenance organizations and managed care organizations, is required to report a declaration of estimated tax if its total tax for the calendar year reasonably may be expected to exceed $1,000. An initial declaration of estimated tax is due on or before April 15, and quarterly estimated tax reports are due on or before June 15, September 15, and December 15. The quarterly payments must include at least 25% of the estimated annual tax. The total amount of actual taxes must be paid with the reports filed with the Insurance Commissioner by each March 15, after crediting the amount of tax paid with the declaration of estimated tax.

The tax on unauthorized insurers is due to the Insurance Commissioner semiannually by March 15 and September 15.

Insureds, unauthorized insurers, industrial insurers, and self-insureds who procure insurance coverage directly with an unauthorized insurer are required to report within 60 days and pay the 3% tax to the Insurance Commissioner by March 1 succeeding the calendar year in which the insurance was procured for policies effective before July 21, 2011. For policies effective on or after July 21, 2011, insureds, unauthorized insurers, industrial insurers, and self-insureds who procure insurance coverage directly with an unauthorized insurer are required to report semiannually by March 15 and September 15 and pay the 3% tax to the Insurance Commissioner by March 1 succeeding the calendar year in which the insurance was procured.

Licensed Maryland surplus lines brokers are required to submit an affidavit that supports each policy transaction within 45 days after the last day of the calendar quarter in which the business was placed. Placing is defined as the effective date of the policy that becomes binding on the authorized insurance company. For short-term medical insurance procured from a nonadmitted insurer, the affidavit must include the reason for the declination for each declining authorized insurer.

Administration of Tax

The Maryland Insurance Administration's examining and auditing program administers the tax.

Fines, Penalties, and Interest

Interest on unpaid tax is assessed at the rate set by statute or 3% above prime rate, whichever is greater. In addition, a penalty of 5% of the unpaid tax shall be assessed.

If an additional amount is found to be due after a report or declaration has been filed, interest on the additional amount is assessed at a 6% annual rate.

For failure to file a report when due, taxes can be assessed at up to twice the amount estimated to be due and become final within 15 days after sending the assessment notice.

A penalty not exceeding 100% of the underpayment of the tax is assessed for fraudulent returns.

Local Taxing Authority

Local jurisdictions are prohibited from imposing any taxes upon any insurance company subject to insurance premium taxation under Maryland law, except for taxes on real estate and tangible personal property.

Revenues

Exhibit 5.5 shows the insurance premium tax revenues from fiscal 2004 to 2023.

Exhibit 5.5
Maryland Insurance Premium Tax Revenues
Fiscal 2004-2023 Est.
($ in Millions)

Year	General Fund Revenues[1]	Special Fund Revenues	Total Revenues	Percent Change
2004	$260.1		$260.1	13.8%
2005	268.9		268.9	3.4%
2006	274.9		274.9	2.2%
2007	283.3	$88.0	371.3	35.1%
2008	301.8	96.5	398.3	7.3%
2009	275.2	95.2	370.4	-7.0%
2010	277.0	101.4	378.4	2.2%
2011	288.4	106.4	390.8	3.3%
2012	299.5	105.1	404.6	3.5%
2013	299.7	107.4	407.1	0.6%
2014	334.8	122.5	457.3	12.3%
2015	324.9	171.4	496.3	8.5%
2016	287.5	185.8	473.3	-4.6%
2017	328.7	174.9	503.6	6.4%
2018	326.3	165.1	491.4	-2.4%
2019	538.7	273.4	812.1	65.3%
2020	594.8	221.5	816.3	0.5%
2021	611.5	158.7	770.2	-5.6%
2022 Est.	603.1	190.1	793.2	3.0%
2023 Est.	607.3	174.4	781.7	-1.4%

[1] Net of refunds; figures reflect cash collections for the fiscal year.

Source: Maryland Insurance Administration; Department of Legislative Services

Distribution of Revenues

Effective January 1, 2015, a portion of the insurance premium tax revenue must be distributed annually to the Maryland Health Benefit Exchange Fund to fund the operation and administration of the Maryland Health Benefit Exchange. The funds must be allocated from the premium tax paid by health insurers, excluding managed care organizations and for-profit health maintenance organizations. Effective July 1, 2017, $500,000 of revenues from the tax imposed on health insurers must be distributed annually to the Advance Directive Program Fund. The remaining revenues from the premium tax are distributed to the General Fund.

Trends

Revenues from the premium tax are cyclical, as premiums rise and fall based on insurer returns on portfolios and underwriting loss experience. Premium growth is also affected by increased competition and by the level of economic activity, including numbers of automobile and home purchases, home prices, and general business activity.

History of Major Changes

1941 – Established principal tax on domestic and foreign insurance companies, which was levied on new and renewal gross direct premiums.

1963 – Laws relating to insurance and its regulation were revised and recodified.

– Rate on certain insurers procuring insurance from authorized insurers lowered to 3%.

1966 – Tax rate on premiums from annuities reduced and then eliminated.

1968 – Modifications to 3% premium tax applied to insurers on certain unauthorized insurance on risks located in Maryland and applied to insurers upon the obligation (represented by premium) for certain unauthorized insurance on risks located in Maryland.

1976 – Required estimated tax payments.

1984 – Repealed tax on perpetual fire insurance policies.

2005 – Tax imposed on for-profit health maintenance organizations and managed care organizations, with revenues dedicated to the Maryland Health Care Provider Rate Stabilization Fund.

2011 – The Maryland Surplus Lines Insurance Law was amended to comply with the Nonadmitted and Reinsurance Reform Act of 2010 so that Maryland only may collect premium receipts tax payments and reports for nonadmitted insurance if Maryland is the home state of an insured.

– Authorized a credit for qualified contributions to the Invest Maryland program.

2013 – Required that beginning January 1, 2015, a portion of insurance premium tax revenues must be distributed annually to the Maryland Health Benefit Exchange Fund.

2018 – Health insurance provider fee assessment imposed for calendar 2019.

2019 – Extended the health insurance provider fee assessment through calendar 2023.

2021 – Permanently exempted the Maryland Automobile Insurance Fund from the tax.

– Repealed Maryland Health Care Provider Rate Stabilization Fund.

2022 – Extended the health insurance provider fee assessment through calendar 2028.

Sections of the Maryland Annotated Code

Insurance Article, Title 3, Subtitle 3 (surplus lines brokers), Title 4, Subtitle 2 (unauthorized insurers), and Title 6

Legislative Handbook Series Cross-reference

Volume VII – Business Regulation in Maryland

Unemployment Insurance Contribution Tax

Taxpayer

Employers of individuals performing "covered employment" are responsible for making unemployment insurance contributions for their employees. Various exemptions from "covered employment" are specified in the unemployment insurance law. Some of these exemptions are, under specified circumstances, applicable to independent contractors; direct sellers; insurance and real estate agents working for commissions; domestic employees; agricultural labor; governmental employees; religious organizations; and taxicab, truck, or messenger service drivers. The vast majority of the exemptions and special coverage provisions are the same as those under the federal Unemployment Tax Act.

Tax Base

The tax base is the first $8,500 of wages paid to each employee during a calendar year. This base is multiplied by the rate assigned to each employer's account.

Valuation of Base

The employer reports both the taxable and total wages in the quarterly contribution return that is subject to audit.

Tax Rates

The employer contribution rates range from a minimum of 0.3% to a maximum of 13.5%, depending on the employer's experience rating and the ratio of the balance in the Maryland Unemployment Insurance Fund as of September 30 of the immediately preceding calendar year to the total taxable wages paid in covered employment for the four completed calendar quarters immediately preceding September 30. For any calendar year, employer contribution rates are determined by the experience-based rate table applicable for the year, depending on the ratio of the fund balance to total taxable wages, as shown in **Exhibit 5.6**.

Exhibit 5.6
Calculation of Unemployment Insurance Contribution Tax Rates

Table	Ratio of MUIF to Total Taxable Wages	Minimum Rate	Maximum Rate
A	MUIF exceeds 5.0%	0.3%	7.5%
B	MUIF exceeds 4.5% but not 5.0%	0.6%	9.0%
C	MUIF exceeds 4.0% but not 4.5%	1.0%	10.5%
D	MUIF exceeds 3.5% but not 4.0%	1.4%	11.8%
E	MUIF exceeds 3.0% but not 3.5%	1.8%	12.9%
F	MUIF is 3.0% or less	2.2%	13.5%

MUIF: Maryland Unemployment Insurance Fund

Source: Department of Legislative Services

The tax rate table in effect for the immediately preceding calendar year continues to apply if (1) the Unemployment Insurance Fund balance on September 30 of the immediately preceding calendar year was at a level that would result in a tax rate table that had lower rates applied under current law and (2) the specified federal funding requirements were not met as of December 31 of the second immediately preceding calendar year.

Chapter 39 of 2021, the RELIEF Act, set a "computation date" of July 1, 2019, for an employer's experience rating if that date results in a lower rate of contribution, through the second July 1 after the COVID-19 state of emergency ends.

Chapter 73 of 2021 required the Governor, based on the availability of qualified federal funds and notwithstanding any other provision of law, for fiscal 2022, to include in the annual budget bill an appropriation of funds toward replenishment of the unemployment insurance trust fund in an amount sufficient to result in Table C of the table of rates for unemployment insurance taxes applying in calendar 2022. The appropriation was authorized to be used for administrative costs, including the repayment of federal funds. Additionally, notwithstanding any other provision of law, the Act requires Table C to apply in calendar 2023.

Special Provisions

Unemployment Insurance Fund

This fund is established as a special fund in the U.S. Treasury (separate and apart from all public monies or funds of this State) and made up of contributions paid by employers and interest earned. The fund is for the sole purpose of paying benefits to workers who are unemployed through no fault of their own.

Fund Balance

The term "fund balance" means the total amount available for benefits in the Maryland Unemployment Insurance Fund.

Adjustments and Refunds

An employer can file a request for an adjustment or refund of contributions that may have been paid in error. No refund or adjustment may be allowed unless an application is made by the later of the following dates: (1) one year from the date on which the payment was made; or (2) three years from the last day of the calendar quarter for which the payment was made. Any refund or adjustment will be reduced if erroneously reported wages were used in determining former employees' eligibility for and payment of unemployment insurance benefits.

Federal Unemployment Tax Rate

For 2022, the federal unemployment tax rate is 6.0% on a $7,000 wage base. However, employers who have paid all State taxes due generally receive a credit of 5.4%, resulting in an effective federal tax rate of 0.6%, or $42, per employee per year.

Payment Dates

All employers are sent a tax and wage report at the end of each calendar quarter that is due one month following the end of that quarter. These due dates are April 30, July 31, October 31, and January 31.

Taxpaying employers are generally required to remit the appropriate amount due by the quarterly due date. The Secretary of Labor must offer enhanced payment plans when Table F (the highest tax rate table) is in effect and must offer payment plans when other tax tables are in effect.

Reimbursing employers file the tax wage report amount without payment. They are billed at the end of each calendar quarter for any unemployment insurance benefits that may be charged to their account.

Chapter 733 of 2017 authorized the Secretary of Labor to waive the charge of benefits paid to a claimant against the earned rating record of an employing unit if (1) the benefits are paid to the claimant during a period in which the claimant is temporarily unemployed because the employing unit shut down due to a natural disaster and (2) the Governor declared a state of emergency due to the natural disaster. If the Secretary waives the charge of benefits under the Act, the waiver may only be in effect until the earlier of four months after the natural disaster or the date the employer reopens.

Chapter 39, the RELIEF Act, authorized employers employing fewer than 50 employees to defer contribution payments for certain quarters in calendar 2021 and authorized nonprofit organizations and government entities of the same size to defer certain reimbursement payments during the same period of time. Additionally, the RELIEF Act authorized the Secretary of Labor to allow such entities to further defer payments and reimbursements in 2022.

Administration of Tax

The Division of Unemployment Insurance within the Department of Labor administers the unemployment insurance program. The office is responsible for the proper collection of all unemployment insurance taxes and pays unemployment insurance benefits to eligible individuals. The operating budget of the Division of Unemployment Insurance is entirely federally funded from employers' federal unemployment insurance taxes. The U.S. Treasury maintains the Unemployment Insurance Fund.

Fines, Penalties, and Interest

In general, interest charges are assessed at a rate of 1.5% per month (or fraction) for late payments. For any calendar year in which the highest tax rate table (Table F) is in effect, the interest rate is reduced to 0.5% per month.

A penalty assessment of $35 is made for each quarterly contribution and employment report filed late unless the Secretary waives the penalty for cause. A penalty assessment of $15 is made for each Request for Separation Information form filed late.

Collections of interest, penalties, and fines are deposited in a special fund known as the Special Administrative Expense Fund in the State Treasury. Any monies in the fund are appropriated through the regular State budget process. On July 1, all monies in this fund in excess of $250,000 must be paid into the general fund.

Local Taxing Authority

None.

Revenues

Exhibit 5.7 shows the unemployment insurance contribution tax revenues and benefit payments from fiscal 2004 to 2021.

Distribution of Revenues

All contributions, exclusive of penalties and interest, collected by the Department of Labor are deposited with the U.S. Treasury. The sole purpose of the Maryland unemployment insurance tax is to pay unemployment insurance benefits to unemployed workers. There is no distribution to local governments.

Trends

During the 2019 to 2022 term of the General Assembly, unemployment insurance underwent a variety of changes, primarily in response to the COVID-19 pandemic and the subsequent stress placed on the unemployment insurance program. Due to the high level of claims, the balance of the unemployment insurance trust fund was depleted, and federal American Rescue Plan Act funds were committed to replenish the unemployment insurance trust fund to its prepandemic balance. Federal pandemic unemployment insurance programs ended in September 2021, and regular unemployment insurance claims have decreased to a level consistent with the experience prior to the pandemic.

Exhibit 5.7
Maryland Unemployment Insurance Contribution Tax Revenues and Benefit Payments
Fiscal 2004-2021
($ in Millions)

Year	Fund Collections	Benefits Paid[1]	Fund Balance[2]
2004[3]	$411.0	$501.2	$703.7
2005[3]	510.2	416.0	883.5
2006[3, 4]	480.6	393.0	891.5
2007[4]	401.6	409.2	928.2
2008[4]	361.0	501.7	896.7
2009[4]	371.3	927.9	312.4
2010[5]	643.9	990.3	274.8
2011[6]	925.7	832.1	456.3
2012[6]	1,049.8	767.3	797.3
2013[6]	879.4	749.0	931.3
2014[6]	641.0	666.9	904.7
2015[6]	612.2	563.4	983.7
2016[6]	589.2	536.3	1,080.9
2017[6]	533.7	513.2	1,149.1
2018	480.2	443.1	1,220.4
2019	452.1	390.3	1,294.8
2020	448.4	1,174.0	112.0
2021	740.3	1,063.6	762.6

[1] Includes only regular State unemployment benefits.
[2] Balance in the Maryland Unemployment Insurance Fund as calculated on September 30 following each fiscal year. A federal Reed Act distribution of $142.9 million was provided to Maryland in March 2002. This amount was included in the account balances for fiscal 2002 and 2003. In November 2003, these funds were transferred to a separate account and are not included in the account balance for fiscal 2004 through 2007. In October 2007, $132.8 million of these funds was transferred back to the fund and is included in the account balance for 2008 and beyond. During fiscal 2008, $12.5 million of the funds was transferred to a separate account and is not included in the account balance in 2008 and beyond. For fiscal 2010, per Chapter 2 of 2010, the account balance includes $126.8 million receivable by the fund under the provisions of the federal American Recovery and Reinvestment Act.
[3] Fund collections for fiscal 2004 through 2006 include a 1.1% surcharge for calendar 2004 and a 0.8% surcharge for calendar 2005.
[4] Fund collections for calendar 2006 are based on Table B; for calendar 2007 and 2008, Table A; and for calendar 2009, Table B.
[5] Fund collections for calendar 2010 are based on Table F. Under the American Recovery and Reinvestment Act of 2009, $126.8 million was provided to Maryland in May 2010 with the passage of Chapter 2 of 2010. Fund balance includes $133.8 million in Federal Title XII Loan.
[6] Fund collections for calendar 2011, 2012, and 2021 are based on Table F; for calendar 2013, Table C; for calendar 2015, Table B; and for calendar 2014, 2016, 2017, 2018, 2019, and 2020, Table A.

Source: Maryland Department of Labor

History of Major Changes Since 2000

1936 – Unemployment Insurance Law enacted.

2005 – Revised contribution rates (effective January 1, 2006) by establishing a single experience-based rating system to replace the previous experience-based rates and flat-rate surcharge system.

– Federal conformity legislation enacted to prohibit state unemployment tax avoidance schemes.

2010 – Payment plan options spreading out due dates for tax payments required for calendar 2010 and 2011 and any calendar year in which employer contributions are to be calculated using the highest tax rate table.

– Interest rate on overdue payments reduced from 1.5% to 0.5% for calendar 2010 and 2011 and any calendar year in which employer contributions are to be calculated using the highest tax rate table.

2016 – For any calendar year beginning on or after January 1, 2017, the tax rate table in effect for the immediately preceding calendar year continue to apply if (1) the Unemployment Insurance Fund balance on September 30 of the immediately preceding calendar year was at a level that would result in a tax rate table that had lower rates applied under current law and (2) specified federal funding requirements were not met as of December 31 of the second immediately preceding calendar year.

2021 – Authorized employers employing fewer than 50 employees to defer contribution payments for certain quarters in calendar 2021 and authorized nonprofit organizations and government entities of the same size to defer certain reimbursement payments during the same period of time. Additionally, the RELIEF Act authorized the Secretary of Labor to allow such entities to further defer payments and reimbursements in 2022.

– Enhanced existing requirements for employer payment plans when Table F is in effect and required the Secretary of Labor to offer payment plans when other tax tables are in effect.

– Required the Governor, based on the availability of qualified federal funds and notwithstanding any other provision of law, for fiscal 2022, to include in the annual budget bill an appropriation of funds toward replenishment of the Unemployment Insurance Trust Fund in an amount sufficient to result in Table C for unemployment insurance taxes applying in calendar 2022 and also required Table C to apply in calendar 2023.

Sections of the Maryland Annotated Code

Labor and Employment Article, Title 8

Legislative Handbook Series Cross-reference

Volume VII – Business Regulation in Maryland

Business Organization Recording, Filing, and Organization and Capitalization Fees

Description of Fees

Maryland collects fees for a variety of business organization documents recorded by and filed with the State Department of Assessments and Taxation. These documents include articles of incorporation, charter amendments, corporate name changes, and annual reports.

The department also collects an organization and capitalization fee from Maryland corporations. This fee is based on the aggregate par value of a corporation's capital stock at the time of incorporation. If a corporation increases the par value of its capital stock through a new organization, a merger, or a consolidation, a fee is imposed on the increase in value.

The filing fee for a business is waived if the business provides an employer-offered savings arrangement, and specified qualified business entities under the More Jobs for Marylanders Program are exempt from all business recording, filing, and other fees if the qualified business entities received a More Jobs for Marylanders program certificate before June 1, 2022.

Administration

These fees are administered by the State Department of Assessments and Taxation.

Revenues

Exhibit 5.8 shows the various fee revenues from fiscal 2004 to 2022.

Exhibit 5.8
Business Organization Fee Revenues
Fiscal 2004-2022

Year	Corporation Processing Fee	Business Organization Filing Fee	Organization and Capitalization Fees	Total Business Organization Fees
2004	$9,984,424	$52,243,759	$449,903	$62,678,086
2005	10,733,666	68,489,933	470,422	79,694,021
2006	11,958,921	69,920,514	384,192	82,263,627
2007	11,733,365	73,289,578	335,898	85,358,841
2008	11,529,443	74,440,161	362,625	86,332,229
2009	10,059,784	76,435,157	455,394	86,950,335
2010	10,049,517	78,371,257	261,632	88,682,406
2011	10,825,015	78,619,843	258,011	89,702,869
2012	10,964,504	80,088,807	246,787	91,300,098
2013	11,639,198	78,095,983	229,035	89,964,216
2014	12,235,794	89,042,899	309,813	101,588,506
2015	10,923,204	87,638,230	227,217	98,788,651
2016	11,675,868	83,713,967	228,267	95,618,102
2017	10,676,346	88,683,560	290,602	99,650,508
2018	13,003,721	98,883,250	722,393	112,609,364
2019	13,808,201	97,642,070	210,023	111,660,294
2020	14,156,552	72,488,844	194,610	86,840,006
2021[1]	20,076,204	148,335,165	261,235	168,672,604
2022	16,110,874	93,048,881	243,402	109,403,157

[1] In line with executive orders issued by the Governor in response to the onset of the COVID-19 emergency, the deadline to file the 2020 Annual Report was extended from April 15, 2020, to July 15, 2020. As such, the filing deadline for the 2020 Annual Report was pushed into fiscal 2021, which accounts for the significant decrease in business organization filing fees collected in fiscal 2020 and significant increase in business organization filing fees collected in fiscal 2021. The 2021 Annual Report filing deadline was not extended.

Source: State Department of Assessments and Taxation

Distribution of Revenues

All processing, filing, and organization and capitalization fees are credited to the General Fund. However, $50 of the $150 processing fee for articles of incorporation of a nonprofit is credited to the Maryland Nonprofit Development Center Program Fund.

Sections of the Maryland Annotated Code

Corporations and Associations Article, Sections 1-201 through 1-204

Legislative Handbook Series Cross-reference

Volume VIII – Business Regulation in Maryland

Chapter 6. Property Taxes

Real Property Tax

Taxpayer

Owners of real property (land and improvements) located in Maryland are real property taxpayers.

Tax Base

The tax base for a given fiscal year is the total assessed value of all real property subject to the property tax as of the first of January (the date of finality) immediately preceding the first day of a fiscal year. New construction substantially completed as of July 1 of the fiscal year is taxed for the full year, and new construction substantially completed as of January 1 of the fiscal year is taxed for a half-year. **Exhibit 6.1** provides a historical summary of the real property assessable base.

Exhibit 6.1
State Property Tax Assessable Base and State Property Tax Revenues
Fiscal 2004-2023 Est.
($ in Millions)

Year	State Tax Rate[1]	Real Property[2]	Public Utilities and Railroads[3]	Total State Property Tax Revenues	% Revenue Change
2004	0.132/0.33	$360,481	$1,445	$477.7	-68.8%
2005	0.132/0.33	396,941	1,475	516.5	8.1%
2006	0.132/0.33	450,900	1,583	597.3	15.6%
2007	0.112/0.28	525,506	1,677	552.7	-7.5%
2008	0.112/0.28	616,322	1,311	625.7	13.2%
2009	0.112/0.28	706,479	1,095	698.6	11.7%
2010	0.112/0.28	750,335	1,073	742.9	6.3%
2011	0.112/0.28	734,146	708	798.3	7.5%
2012	0.112/0.28	682,918	793	762.3	-4.5%
2013	0.112/0.28	652,215	753	723.9	-5.0%
2014	0.112/0.28	643,334	749	717.5	-0.9%
2015	0.112/0.28	651,106	781	729.7	1.7%
2016	0.112/0.28	669,689	787	750.5	2.9%
2017	0.112/0.28	694,890	838	778.7	3.8%
2018	0.112/0.28	719,105	1,026	800.6	2.8%
2019	0.112/0.28	743,790	963	828.5	3.5%
2020	0.112/0.28	768,997	1,001	860.6	3.9%
2021	0.112/0.28	792,195	1,034	892.2	3.7%
2022	0.112/0.28	816,345	1,110	914.0	2.4%
2023	0.112/0.28	840,752	1,116	927.2	1.4%

[1] State tax rate applicable to real property assessable base. The State has not taxed personal property since 1984.
[2] Represents real property assessable base as of July 1 of the tax year but excludes real property not previously assessed by January 1 of the tax year.
[3] Public utilities and railroads operating property assessable base.

Source: State Department of Assessments and Taxation; Comptroller of the Treasury; Department of Budget and Management; Department of Legislative Services

Valuation of Base

Each year, the State Department of Assessments and Taxation is required to value one-third of all real property based on an inspection prior to the date of finality. Real property is valued and assessed once every three years. Prior to June 1, 2018, statute required that the assessments be based on a physical inspection; however, Chapter 651 of 2018 repealed the requirement that the department value all real property based on an exterior physical inspection of the real property. Instead, the department must value real property based on a review of each property in each three-year cycle. The review by the department must include a physical inspection of a property if (1) the value of improvements to the property is being initially established; (2) the value of substantially completed improvements is being established; (3) the property is the subject of a recent sale, and the inspection is deemed necessary by the department for purposes of market analysis; (4) the property owner requests a physical inspection as part of an active appeal; (5) the department is notified by a county finance officer that a substantially completed improvement has been made that adds at least $1.0 million in value to the property; or (6) the department determines that a physical inspection is appropriate.

In any year of a three-year cycle, real property must be revalued if any of the following factors causes a change in the value of the real property: (1) the zoning classification is changed at the initiative of the owner or anyone having an interest in the property; (2) a change in use or character occurs; (3) substantially completed improvements are made that add at least $100,000 in value to the property; (4) an error in calculation or measurement of the real property caused the value to be erroneous; (5) a residential use assessment is terminated; or (6) a subdivision occurs.

Any increase in full cash value (market value) is phased in equally over the next three years. All property is assessed at 100% of full cash value.

The assessable base for all property by subdivision for fiscal 2023 is shown in **Exhibit 6.2**.

Exhibit 6.2
Estimated State Taxable Assessable Base
Fiscal 2023
($ in Thousands)

Counties	Real Property[1]	New Construction Real Property[2]	Operating Real Property Railroads	Total Subject to Real Property Tax Rate	Utility Operating Real Property
Allegany	$3,783,999	$500	$19,352	$3,803,851	$8,364
Anne Arundel	98,875,000	250,000	967	99,125,967	64,196
Baltimore City	43,000,000	73,750	254,877	43,328,627	209,792
Baltimore	94,382,851	127,500	21,904	94,532,255	159,503
Calvert	13,245,891	25,000		13,270,891	12,523
Caroline	2,884,455	2,250		2,886,705	6,783
Carroll	21,896,938	40,000	10,642	21,947,580	15,400
Cecil	11,054,807	15,000	8,252	11,078,059	19,331
Charles	20,700,000	102,000	1,406	20,803,406	41,074
Dorchester	3,052,000	5,000		3,057,000	2,314
Frederick	37,205,080	150,000	16,107	37,371,187	31,871
Garrett	4,734,199	8,250	1,175	4,743,624	36,885
Harford	30,120,000	90,000	2,848	30,212,848	60,643
Howard	58,585,402	212,500	31,686	58,829,588	41,497
Kent	3,064,154	2,500		3,066,654	2,216
Montgomery	207,574,368	500,000	13,231	208,087,599	128,922
Prince George's	112,935,742	300,000	9,218	113,244,960	78,561
Queen Anne's	9,078,970	20,000		9,098,970	7,163
St. Mary's	13,708,127	42,500		13,750,627	7,276
Somerset	1,425,544	2,500	4,838	1,432,882	1,803
Talbot	8,915,648	16,500		8,932,148	3,902
Washington	13,888,465	16,000	43,423	13,947,888	13,387
Wicomico	7,061,000	14,000	6,127	7,081,127	18,661
Worcester	17,100,285	17,500	305	17,118,090	7,622
Total	**$838,272,926**	**$2,033,250**	**$446,358**	**$840,752,534**	**$979,689**

[1] Assessable base before any applicable tax credits and includes new construction added for the full-year levy (July 1) and land owned by railroads and utilities.
[2] Includes new construction added for partial-year levy.

Source: State Department of Assessments and Taxation; Department of Legislative Services

Tax Rates

The State property tax rate for fiscal 2023 is 11.2 cents per $100 of assessable property. The rate is established by the Board of Public Works, which is required by law to calculate the rate necessary to support debt service on general obligation bonds by May 1 of each year after taking into account the funds available from other sources for debt service. The rate is then applied to the State assessable base. See Exhibit 6.1 for a historical summary of the State tax rates and State property tax revenues.

Local property tax rates are set annually by local governments and applied to the county and municipal assessable bases. The county and municipal assessable bases represent the State assessable base less exemptions granted by local jurisdictions.

Special Provisions

Exemptions

Generally, the law exempts certain types of real property from property taxation such as government-owned, charitable, benevolent, educational, churches, veterans' organizations, fire companies, historical societies, and museums. The State Department of Assessments and Taxation is responsible for determining exemptions that are specified by law. The department is required by law to assess all exempt real property, except property owned by the federal government.

See **Exhibit 6.3** for a county-by-county breakdown of the value of exempt property by class in fiscal 2022.

Exhibit 6.3

Exempt Property: Amount of Assessable Base By Local Subdivision

Fiscal 2022

($ in Millions)

County	Federal	State	County and Municipal	Tax-exempt Organizations	Individual	Total Exempt
Allegany	$86.9	$271.9	$157.7	$868.7	$28.2	$1,413.4
Anne Arundel	1,481.0	1,334.9	1,178.0	3,628.7	1,175.6	8,798.1
Baltimore City	534.1	2,525.1	2,990.2	11,111.8	140.9	17,302.2
Baltimore	515.6	1,138.2	1,328.5	5,988.6	391.3	9,362.1
Calvert	76.7	110.0	260.9	707.7	191.5	1,346.8
Caroline	9.1	59.3	56.9	202.7	23.4	351.3
Carroll	12.2	218.9	526.6	1,340.8	151.3	2,249.8
Cecil	122.2	160.7	172.7	586.8	116.9	1,159.3
Charles	952.8	151.3	230.9	894.6	664.9	2,894.6
Dorchester	38.6	185.1	83.2	207.0	22.8	536.6
Frederick	335.5	103.8	826.7	2,265.0	350.2	3,881.2
Garrett	5.0	179.3	143.4	234.4	22.4	584.6
Harford	891.3	108.1	379.9	1,414.0	387.8	3,181.1
Howard	31.7	524.3	956.8	2,445.1	347.9	4,305.9
Kent	10.7	24.5	70.5	221.1	13.8	340.6
Montgomery	3,095.5	1,229.9	8,157.9	11,187.0	943.9	24,614.1
Prince George's	2,677.9	871.8	1,964.0	5,015.1	1,934.1	12,462.9
Queen Anne's	3.6	148.9	267.2	421.5	65.7	907.0
St. Mary's	1,127.6	187.5	309.2	599.4	227.0	2,450.7
Somerset	2.9	157.2	50.9	241.4	13.1	465.5
Talbot	16.1	28.6	171.8	338.3	46.6	601.3
Washington	71.1	271.8	416.2	1,563.9	100.7	2,423.7
Wicomico	5.2	138.2	259.6	1,145.4	67.2	1,615.6
Worcester	93.6	101.2	392.5	391.2	49.1	1,027.7
Total	**$12,196.8**	**$10,230.3**	**$21,352.4**	**$53,020.1**	**$7,476.3**	**$104,275.9**

Note: Exempt property is excluded from the assessable base figures for real property.

Source: State Department of Assessments and Taxation

Special Use Assessments

Property that may qualify for special use assessments includes the following:

- Land devoted to agricultural use may be valued on the basis of that use. The use values are based on soil classifications relating to productivity identified by the Maryland Department of Agriculture.

- Woodland under a forest conservation management program with the Department of Natural Resources may qualify for a frozen assessment for at least 15 years.

- Country clubs and public golf courses may qualify for a special use assessment under certain conditions.

- Planned development land may be valued at agricultural use rates when it consists of at least 500 contiguous acres, is part of a master or regional plan, and the owner pays for required public facilities.

- Tidal marshland is valued at a rate of $37.50 per acre and must be valued less than the lowest agricultural rate.

- Conservation property, including land that is subject to a perpetual conservation easement approved prior to June 30, 1986, must be valued at a rate equivalent to the highest rate used for agricultural use land.

- Owner-occupied residential property that has been rezoned to a commercial or industrial classification, not at the owner's initiative, may be assessed based on its residential use.

Appeals of property values may also be filed with the supervisor outside of the regular assessment cycle. Appeals may also be filed by persons who have purchased property between January 1 and June 30. Such appeals must be made within 60 days of the purchase. For an appeal of a change in the value or classification of property that is transferred to a new owner after January 1 but before the beginning of the taxable year, a supervisor of assessments or the supervisor's designee must hold a hearing on the appeal by the later of (1) 90 days after receiving the written appeal or (2) 90 days after the deed evidencing the transfer is recorded. When conducting a real property reassessment after an appeal, the State Department of Assessments and Taxation may not automatically eliminate a reduction in an assessment of the property that was granted by the board or the Maryland Tax Court. However, the department may eliminate a reduction in the assessment that was granted if the specific reason for the reduction no longer applies.

Constant Yield Tax Rate Program

The "constant yield tax rate" is the rate that when applied to the current base, yields the same local property tax revenues as in the prior year. When there is growth in the assessable base, the constant yield tax rate is lower than the existing tax rate. The State Department of Assessments and Taxation notifies all counties and municipalities by each February 14 of their constant yield tax rate for the upcoming taxable year. The department is authorized to recalculate a constant yield rate by April 15 if a county or municipality changes its homestead tax credit percentage by the deadline set in statute and notifies the department of the change. In addition, assessment notices must include a statement that (1) the taxable assessment may change if a county or municipality changes its homestead tax credit percentage and (2) the final taxable assessment will be stated on the next property tax bill.

Under the constant yield tax rate law, taxing authorities are required to (1) provide information about the constant yield tax rate and the assessable base to the public through advertisements in local newspapers and (2) hold public hearings regarding proposals to enact a tax rate that is higher than the constant yield tax rate. Municipalities are exempt under certain circumstances. The department must report to the Attorney General any taxing authority found in violation of this law. Violating jurisdictions must reduce their property tax rates to the constant yield level.

Tax Credits

Statewide Mandatory Tax Credits

Homeowners' (Circuit Breaker) Tax Credit Program: This is a State-funded program (*i.e.*, the State reimburses local governments) providing credits against State and local real property taxation for homeowners who qualify based on a sliding scale of property tax liability and income. The total State expenditure for the program in fiscal 2023 is estimated to be $64.7 million. See **Exhibit 6.4** for a summary of the number of credits granted, the total program cost, and the average credit for fiscal 2022. Counties and municipalities have the authority to enact local supplements to the homeowners' circuit breaker tax credit; the cost of such supplemental credits must be borne by the local governments.

Exhibit 6.4
Homeowners' Property Tax Credit
Fiscal 2022

County	Credits Issued	Dollar Amount of Credits Issued	Average Credit
Allegany	643	$490,553	$763
Anne Arundel	2,448	2,941,472	1,202
Baltimore City	7,250	12,133,934	1,674
Baltimore	5,971	7,482,389	1,253
Calvert	556	678,029	1,219
Caroline	394	440,901	1,119
Carroll	1,406	1,940,665	1,380
Cecil	719	866,199	1,205
Charles	1,051	1,430,295	1,361
Dorchester	382	390,486	1,022
Frederick	2,123	3,257,407	1,534
Garrett	321	270,427	842
Harford	1,748	2,177,312	1,246
Howard	1,532	3,153,166	2,058
Kent	232	254,142	1,095
Montgomery	3,670	6,417,392	1,749
Prince George's	3,926	7,390,118	1,882
Queen Anne's	327	417,992	1,278
St. Mary's	582	726,681	1,249
Somerset	190	141,259	743
Talbot	115	108,980	948
Washington	1,248	1,294,522	1,037
Wicomico	560	495,920	886
Worcester	411	469,689	1,143
Total	**37,805**	**$55,369,931**	**$1,465**

Source: State Department of Assessments and Taxation

Renters' (Circuit Breaker) Tax Credit Program: This is a State-funded program (*i.e.*, the State makes payments for the amounts of the "credits" directly to recipients) for renters to provide relief from the burden attributable to State and local real property taxes. Qualification is based on a sliding scale of assumed property tax liability and income. The estimated State expenditures for fiscal 2023 are $4.4 million. See **Exhibit 6.5** for a summary of the number of credits granted, the total program cost, and the average credit for fiscal 2022.

Exhibit 6.5
Renters' Property Tax Credit
Fiscal 2022

County	Credits Issued	Total Credit Disbursement	Average Credit Received
Allegany	99	$26,832	$271
Anne Arundel	264	144,232	546
Baltimore City	2,339	859,398	367
Baltimore	1,348	633,158	470
Calvert	22	15,575	708
Caroline	18	7,652	425
Carroll	90	45,202	502
Cecil	81	36,998	457
Charles	138	67,819	491
Dorchester	151	70,818	469
Frederick	121	66,754	552
Garrett	6	594	99
Harford	122	55,545	455
Howard	292	152,530	522
Kent	24	10,908	455
Montgomery	405	201,975	499
Prince George's	642	352,476	549
Queen Anne's	15	6,993	466
St. Mary's	37	19,420	525
Somerset	40	24,331	608
Talbot	39	17,859	458
Washington	130	54,353	418
Wicomico	153	62,593	409
Worcester	60	28,100	468
Total	**6,636**	**$2,962,116**	**$446**

Source: State Department of Assessments and Taxation

Enterprise Zones: Within qualifying enterprise zones, the local governing body of the political subdivision is required to grant tax credits against property taxes imposed upon property meeting certain statutory requirements. The State reimburses local governments for one-half of the credit amount, and the credit is based upon 80% of any increased value in the property for five years. The amount then declines by 10% a year, to 30% by the tenth year of the credit. The estimated fiscal 2023 State cost of this program is $27.0 million. Chapters 449 and 450 of 2022 established an enhanced enterprise zone property tax credit for newly constructed qualified property that provides both office space and retail space and became eligible for the property tax credit between January 1, 2019, and December 31, 2021. The credit can be claimed for a 13-year period. The percentage value of the credit is equal to 80% in the first 8 years and decreases by 10% annually to 30% in the thirteenth and final year.

Homestead Tax Credit Program: This program provides tax credits against State, county, and municipal real property taxes for owner-occupied residential properties for the amount of real property taxes attributable to assessed values that exceed an annual assessment percentage increase or "cap" in any given year. The amount of the annual assessment cap is (1) 10%, for purposes of the credit against State property taxes; (2) 10% or less, as set by each county, for purposes of the credit against county property taxes; and (3) 10% or less, as set by the municipality (otherwise the county cap applies), for the municipal property tax credit. The cost of the credits against local property taxes is assumed by the local government. The effect of the homestead tax credit is to smooth tax collections so that taxes increase more slowly than the increase in property values when values are appreciating substantially. When property values increase moderately, collections "catch up" as the homestead tax credit available to taxpayers declines. This gives property owners tax relief and makes revenue estimates more predictable.

Statewide Optional Tax Credits: Under State law, tax credits may be granted by local governing bodies against local property taxes for various types of property as specified by law, including cemetery property; structures utilizing solar or geothermal energy devices; restoration and preservation of historic or heritage structures; manufacturing, fabricating, and assembling facilities; agricultural land subject to Maryland agricultural land preservation easements; newly constructed dwellings that are unsold or unrented; open space; tobacco barns; day care providers; property located in the Baltimore/Washington International Thurgood Marshall Airport noise zone; erosion control structures; certain low-income rental dwellings; conservation lands; property leased by religious organizations; property of businesses that create new jobs; new or expanded business premises; brownfields property; improved property that includes the installation of an automatic fire protection sprinkler system; certain vacant and underutilized commercial buildings; amateur sports athletic fields; rehabilitated property; certain buildings located in arts and entertainment districts; businesses that provide computers to employees for home use; high-performance buildings; repaired or reconstructed dwellings; nonprofit swim clubs; dwellings owned by individuals at least 65 years old; property used as a publicly sponsored business incubator; family assistance dwellings; commercial waterfront property and marine trade property; property equipped with accessibility features; urban agricultural property; certain property owned by Habitat for Humanity; grocery stores in low-income areas; new or small business property; dwellings of elderly individuals and veterans; dwellings of public safety officers; for the adaptive reuse of certain commercial structures; 9-1-1 public safety dispatchers; and public school or nonprofit robotics programs.

Local Tax Credits: State law enumerates various mandatory and optional local property tax credits against county and municipal property taxes.

Payment Dates

Property taxes for owner-occupied residential property and small businesses that pay less than $100,000 in property taxes are due on a semiannual schedule. The first installment is due on July 1 and may be paid without interest on or before September 30. The second installment is due on December 1 and may be paid without interest on or before December 31. Local governments may add a service fee to the second installment to pay for administrative costs. However, homeowners and certain small business owners may elect to pay the full year's property tax on or before September 30 to avoid a service charge or interest charge.

Property taxes for other property are due on July 1 and may be paid without interest on or before September 30.

Local governments are authorized to provide for an installment payment schedule for county, municipal, or special taxing district real property taxes. Local governments may not authorize an installment payment schedule for property taxes imposed on real property that is subject to a deed of trust, a mortgage, or any other encumbrance that includes the escrowing of property taxes. A taxpayer may choose whether to pay property taxes through an authorized installment payment schedule.

Administration of Tax

Administration/Collection Responsibility

The assessment of properties is done by the State Department of Assessments and Taxation. Each of the 24 subdivisions, over 150 municipalities, and the State itself, depends upon the department to establish the assessable base upon which both State and local property taxes are levied. Real property taxes are collected by the county, Baltimore City, or municipal finance offices. The State tax portion is remitted to the Comptroller of the Treasury.

The counties and Baltimore City are required to reimburse the department for 50% of the costs of real property and business personal property valuation as well as 50% of the costs incurred by the department with regard to information technology.

Fines, Penalties, and Interest

The interest on State property taxes is charged on the total tax liability at a rate of 1% for each month (or fraction thereof) that the property taxes are past due. The first installment of taxes is due July 1, and interest accrues after October 1. The second installment is due on December 1, and interest accrues after January 1.

Unpaid taxes are a lien on the real property. The collector is required to sell property for which taxes are in arrears.

County, municipal, and special taxing district interest rates on overdue taxes are generally two-thirds of 1% per month, unless otherwise provided by law.

Local Taxing Authority

The subdivisions, incorporated municipalities, and special taxing districts have been granted the power by the State to levy a real property tax and to annually set the rate. For additional information on local property taxes, see *Volume VI – Maryland Local Government.*

Revenues

Distribution of Revenues

State real property taxes are special fund revenues for the Annuity Bond Fund and dedicated exclusively to pay the debt service on State general obligation bonds. In fiscal 2023, the State will receive an estimated $927.2 million in State property taxes.

The proceeds collected by the State from this tax represent only a small portion of the total State and local taxes imposed on real property. Local governments are estimated to collect approximately $9.3 billion in real and personal property tax revenue in fiscal 2022.

Trends

Since 2013, due to improvements in the national economy, property assessments have increased. Properties reassessed for 2019, 2020, 2021, 2022, and 2023 realized net increases in value of 3.1%, 3.5%, 3.0%, 3.1%, and 2.9%, respectively; however, overall assessments have increased more modestly. Based on the most recent assessments, the assessable base is expected to remain relatively constant over the course of the next several years.

History of Major Changes

1777 – First statewide assessment.

1914 – State Tax Commission established.

1959 – State Department of Assessments and Taxation established.

1973 – Law enacted for State takeover of all county assessment personnel over a three-year period.

1975 – Homeowners' (Circuit Breaker) Property Tax Credit Program enacted.

1977 – 115% Assessment Increase (Homestead Tax) Credit Program first enacted.

– "Constant yield tax rate" enacted.

1979 – Triennial Assessment Law enacted (present system).

– Renters' (Circuit Breaker) Property Tax Credit Program enacted.

1990 – Growth factor repealed and replaced with a flat 40% of full cash value to determine assessable base.

– Homestead tax credit revised from a 15% limit to a lower limit of 0% to 10% set by local governments. The credit is applied to the State assessment using a 10% limitation.

– Authority provided to local governments to supplement the Homeowners' Circuit Breaker Program.

– Property owners' "Bill of Rights" enacted.

1992 – Property tax grant to the subdivisions (equivalent to about $0.11 of the State property tax rate) eliminated.

– Renters' Circuit Breaker Tax Credit Program expanded to allow certain renters under 65 years of age to participate when they live with a dependent child under age 18.

1995 – Property taxpayers provided the option to pay State and local property taxes in semiannual installments.

1998 – Homeowners' Property Tax Credit Program revised to provide additional relief to qualified recipients.

1999 – Mandatory semiannual payment of property taxes established.

2000 – Property tax assessment method changed to system of full market value assessment.

2003 – Specified property (easements, pipelines, and tanks) used by railroads and public utilities is reclassified from real property to personal property.

2006 – Homeowners' Property Tax Credit Program and Renters' Property Tax Relief Program modified and expanded to provide additional relief to qualified recipients.

2007 – Homeowners are required to file an application with the State Department of Assessments and Taxation to receive the Homestead Property Tax Credit.

2010 – Semiannual payments for certain small businesses authorized.

2011 – Sharing of property tax administration costs between the State Department of Assessments and Taxation and county governments is required.

2014 – The date by which property taxes on formerly exempt property is due is altered.

2016 – Renters' Property Tax Credit Program altered to change the percentages used to calculate the amount of the tax credit and increase the maximum credit allowed from $750 to $1,000.

2018 – Requirement that the State Department of Assessments and Taxation value all real property based on an exterior physical inspection of the real property is repealed. Instead, the department must value real property based on a specified review of each property in each three-year assessment cycle.

2019 – Local governments are authorized to provide for an installment payment schedule for county, municipal, or special taxing district real property taxes.

2020 – Special use assessment rates for country clubs and golf courses that enter into or extend the term of a specified agreement with the State Department of Assessments and Taxation on or after June 1, 2020, are increased.

Sections of the Maryland Annotated Code

Tax – Property Article

Legislative Handbook Series Cross-reference

Volume VI – Maryland Local Government

Personal Property Tax

All personal property is exempt from State property tax. However, the counties, municipalities, and special taxing districts are authorized to tax personal property.

Taxpayer

All business entities in Maryland may be required to pay local personal property taxes. In lieu of a personal property tax, a gross receipts tax is imposed on the short-term lease or rental of heavy equipment property. Beginning July 1, 2022, government agencies are exempt from the gross receipts tax on heavy equipment property.

Tax Base

All assessable tangible personal property located in Maryland and owned by businesses as of January 1 may be subject to a local personal property tax.

Valuation of Base

The assessment of personal property is the responsibility of the State Department of Assessments and Taxation, while the collection of the tax on personal property is the responsibility of local governments. The department separately values inventory and all other tangible business personal property based on information filed annually by property owners by April 15 (the data is as of the preceding January 1). Property owners may request a filing extension of two months. Chapter 529 of 2020 specified that only businesses with personal property must file a personal property report; however, all business entities in the State must file an annual report with the department with an appropriate fee.

Inventory is valued at its "fair average value," which means the lower of cost or market value. All other personal property, including office furniture, fixtures, equipment and plant machinery, is valued at "full cash value." Uniform rates of depreciation are applied to the cost of the property to determine full cash value.

Tax Rates

The State tax rate was zero from fiscal 1985 through 2000. Since that time, all personal property has been exempt from State property tax.

The counties, municipalities, and special taxing districts are authorized to tax personal property and to establish local tax rates. Prior to July 1, 2013, State law required the county personal property tax rate to be set at 2.5 times the county real property tax rate. Beginning July 1, 2013, the county personal property tax rate was decoupled from the county real property tax rate by authorizing county governments to set a personal property tax rate at up to 2.5 times the county real property tax rate.

Special Provisions

Exemptions

The State mandates certain exemptions from personal property assessment including aircraft, manufacturing tools, equipment or machinery, research and development property, farm implements, agricultural products, livestock, and residential property (nonbusiness property). Local governments are authorized to exempt from taxation tools, equipment, or machinery used in manufacturing.

Except for personal property used in connection with a business, personal property owned by an individual is not subject to valuation or taxation. Personal property used in connection with a business is also exempt if it is owned by an individual and is located at the individual's residence and either (1) is used in connection with a licensed family day care home or (2) had a total original cost (excluding vehicles) of less than $10,000. Beginning July 1, 2022, if all of a person's personal property statewide had a total original cost of less than $20,000, the personal property is exempt from personal property valuation and taxation.

Local governments may provide various additional exemptions.

Tax Credits

Various tax credits may be allowed against the local tax.

Amended Returns

Businesses may file amended personal property tax returns to correct previous errors in reporting or to claim missed exemptions, except for missed manufacturing exemptions, within three years of the April 15 date that the return was originally due.

Payment Dates

Locally imposed personal property taxes are due by July 1 but may be paid on or before September 30 without incurring interest charges.

Administration of Tax

Administration/Collection Responsibility

Assessments are determined by the State Department of Assessments and Taxation and the taxes, which are all locally imposed, are collected by local governments.

Costs

The counties and Baltimore City are required to reimburse the State Department of Assessments and Taxation for 50% of the costs of real property and business personal property valuation as well as 50% of the costs incurred by the department with regards to information technology.

Fines, Penalties, and Interest

Interest on taxes due to county, municipal, and special taxing districts is generally two-thirds of 1% for each month or less overdue, unless otherwise provided. Unpaid taxes are a lien on the personal property and on the real property of the owner of the personal property.

The penalty for filing a late annual report is one-tenth of 1% of the county assessment with certain minimum penalties, assessed on the number of late days (beginning at $30) and a maximum of $500, plus 2% for each month or partial month the return is late.

Local Taxing Authority

The counties, municipalities, and special taxing districts are authorized to levy a personal property tax and to annually set the rate.

History of Major Changes

1983 – State tax rate on personal property reduced to zero and the offsetting credit against income taxes repealed.

1997 – Cables, lines, poles, and towers of telecommunications companies reclassified from operating real property to operating personal property.

1998 – Personal property with a total original cost of less than $10,000 that is owned by an individual and used in connection with a business, occupation, or profession located at an individual's principal residence is made exempt from taxation for all taxable years beginning after June 30, 1999.

1999 – All personal property is exempt from the State property tax for all taxable years beginning after July 1, 2000.

2010 – Beginning January 1, 2011, the personal property tax on heavy equipment property is replaced with a gross receipts tax on the short-term lease or rental of heavy equipment property.

2013 – County personal property tax rate is decoupled from the county real property tax rate so that the rate may be set at an amount up to 2.5 times the county real property tax rate.

2016 – County and municipal governments are authorized to provide up to a 50% property tax credit for personal property that is owned or leased by a business entity that has been in operation for two years or less or has 15 employees or less. The credit does not apply to the operating property of a railroad or public utility.

2018 – Exemption from personal property valuation and taxation if all of a person's personal property statewide had a total original cost of less than $2,500.

2022 – Exemption from personal property valuation and taxation if all of a person's personal property statewide had a total original cost of less than $20,000.

Sections of the Maryland Annotated Code

Tax – Property Article

Legislative Handbook Series Cross-reference

Volume VI – Maryland Local Government

Public Utility and Railroad Property Tax

Taxpayer

Public utilities and railroads operating in Maryland are required to pay property tax.

Tax Base

For the State property tax, the property tax base is operating real property. For local property taxes, the tax base is operating real and operating personal property. See Exhibit 6.1 for a historical summary of the operating real and operating personal property assessable base for public utilities and railroads.

Valuation of Base

Operating property is valued at full cash value using the unit method relying primarily on the income approach and considering cost and market data when available. Operating land is valued and assessed by the State Department of Assessments and Taxation as part of the operating unit. Electric generating plants classified as non-utility generators are valued and assessed similar to other commercial and industrial property.

The assessable base for the operating real property of public utilities and railroads for fiscal 2023 is shown in Exhibit 6.2.

Tax Rate

The tax rates for railroad operating property are the same as those applied to all other real and personal property. The tax rates for public utility operating property are two and one-half times the rates applied to other real property.

Special Provisions

Exemptions

The value of motor vehicles and the fair average value of fuel stocks of public utilities are deducted from the determined value. Fifty percent of the value of machinery and equipment used to generate electricity for sale is exempt from State and local property taxes.

Allocation and Apportionment of Property

The entire operating unit of a public utility or railroad is valued. For multistate companies, the State Department of Assessments and Taxation allocates to Maryland the value of that part of the operating unit reasonably attributable to this State.

Tax Credits

None.

Payment Dates

The tax is due by July 1 but may be paid on or before September 30 without incurring interest charges.

Administration of Tax

Administration/Collection Responsibility

Similar to real property and business personal property, the Business Property Valuation Division within the State Department of Assessments and Taxation is responsible for certifying the assessment. Local governments are responsible for the collection of the tax, which is remitted to the State.

Fines, Penalties, and Interest

Interest on late payment of tax is the same as that imposed on real and personal property.

The penalty for filing a late return is one-tenth of 1% of the county assessment with a minimum initial penalty amount of $30 and a maximum of $500, plus 2% for each month or partial month the return is late.

Local Taxing Authority

The counties and municipalities are authorized to levy a tax on this property and to annually set the rate.

Revenues

See Exhibit 6.1.

Distribution of Revenues

State revenues from the taxation of real property of public utilities and railroads are treated the same as other property tax revenues in that they are special fund revenues dedicated to the Annuity Bond Fund for the payment of debt service on State general obligation bonds. The majority of the revenues generated from property taxes on public utility and railroad operating property is retained by local governments.

Trends

The assessable base for public utility and railroad property declined dramatically in fiscal 2004 with the reclassification of easements, pipelines, and tanks from real property to personal property as the result of a Court of Appeals decision in *Colonial Pipeline v. State Department of Assessments and Taxation*. Reaching a low in fiscal 2011, this decline generally continued through fiscal 2014. Since then, assessments have increased slightly each year.

History of Major Changes

1997 – Cables, lines, poles, and towers of telecommunications companies were reclassified from operating real property to operating personal property. Corporate income tax credit allowed to telecommunications companies for 60% of property taxes paid on operating real property.

1999 – Partial exemption allowed for machinery and equipment used to generate electricity (25% for tax year 2001; 50% beginning in tax year 2002). Cables, lines, poles, and towers of electric companies reclassified from operating real property to operating personal property. Corporate income tax credit allowed to electric companies for 60% of property taxes paid on operating real property (other than land) used to generate electricity.

2003 – Easements, pipelines, and tanks used by public utilities and railroads reclassified to personal property from real property under *Colonial Pipeline v. State Department of Assessments and Taxation*.

2006 – Repeal of the corporate income tax credit allowed to electric companies for 60% of property taxes paid on operating real property (other than land) used to generate electricity.

2007* – Legislation enacted to allow a county to increase the taxable percentage of machinery and equipment used to generate electricity for sale to no more than 60% for the taxable year beginning July 1, 2009, and 55% for the taxable year beginning July 1, 2010.

2018 – State Department of Assessments and Taxation authorized to apportion the assessment of operating property for public utilities uniformly, regardless of whether the utility is domestic or foreign, the property is real or personal, or the property was placed into service prior to or after January 1, 1968.

*Special session.

Sections of the Maryland Annotated Code

Tax – Property Article, primarily Sections 6-103, 8-108, 8-109, 8-201, and 9-209

Legislative Handbook Series Cross-reference

Volume VI – Maryland Local Government

Transfer Tax

Taxpayer

Any person or business conveying title to real property by means of an instrument of writing recorded with the clerk of the circuit court for a county or filed with the State Department of Assessments and Taxation is required to pay the transfer tax. Transfer taxes are imposed on the transfer of real property with a value of $1 million or more when the transfer is achieved through the sale of a "controlling interest" in a specified corporation, partnership, limited liability company, limited liability partnership, or other form of unincorporated business.

Tax Base

The tax base is the amount of the consideration payable for the instrument of writing. The consideration includes the amount of any mortgage or deed of trust assumed by the grantee.

Valuation of Base

Every instrument of writing conveying title to real property must state the consideration payable.

Tax Rates

The State transfer tax rate is 0.5% of the consideration payable for an instrument of writing (one conveying title to, or a leasehold interest in, real property); however, in the case of a first-time Maryland homebuyer purchasing a principal residence, the transfer tax rate is 0.25%.

Eighteen counties and Baltimore City currently impose local transfer taxes.

Special Provisions

Instrument of Writing

An instrument of writing is required in order to convey title to, or a leasehold interest in, real property. The term includes a deed or contract, a lease, an assignment of a lessee's interest, articles of transfer, and articles of merger or consolidation. The term does not include a mortgage, deed of trust, or other contract that creates an encumbrance on real property or a security agreement.

Exemptions

Exemptions from the transfer tax are generally the same as the exemptions from recordation taxes and include conveyances to a government or public agency; conveyances involving related corporations; and transfers between spouses, relatives, or specified domestic partners.

Local governments are authorized to exempt, by law, from the local transfer tax an instrument of writing that transfers title to certain displaced homeowners if the improved residential property conveyed to the displaced homeowner qualifies as a replacement dwelling.

Revenues

Exhibit 6.6 shows revenues from the transfer tax for fiscal 2003 to 2021.

Exhibit 6.6
Maryland Transfer Tax Revenues
Fiscal 2003-2021
($ in Millions)

Year	Total Net State Revenues[1]	% Change
2003	$140.9	-15.1%
2004	181.4	28.7%
2005	237.3	30.8%
2006	269.5	13.6%
2007	213.7	-20.7%
2008	188.6	-11.7%
2009	166.3	-11.8%
2010	79.7	-52.1%
2011	97.3	22.1%
2012	127.5	31.0%
2013	99.9	-21.6%
2014	151.0	51.2%
2015	163.5	8.3%
2016	191.8	17.3%
2017	210.1	9.5%
2018	217.9	3.7%
2019	207.6	-4.7%
2020	215.5	3.8%
2021	269.3	25.0%

[1] Net of refunds; includes collections by the State Department of Assessments and Taxation and the clerks of the circuit courts and does not include transfers to the General Fund.

Source: Comptroller of the Treasury; Department of Legislative Services

Distribution of Revenues

State transfer tax revenues are paid to the Comptroller by the clerks of the circuit courts and the State Department of Assessments and Taxation and are used to fund several programs in the Department of Natural Resources, the Maryland Department of Agriculture, and the Maryland Department of Planning.

Transfer tax revenues for debt service on Program Open Space Acquisition Opportunity Loan of 2009 general obligation bond authorizations are credited to the Annuity Bond Fund. Before any program-specific allocations are made, 3% of the transfer tax is distributed to the Department of Natural Resources and the other agencies involved in the administration of Program Open Space. Then, 75.15% of the special fund revenues goes to Program Open Space, an additional 1.0% goes to Program Open Space for land acquisition purposes, 17.05% goes to the Maryland Agricultural Land Preservation Fund, 5.0% goes to the Rural Legacy Program, and 1.8% goes to the Heritage Conservation Fund.

Chapters 660 and 661 of 2017 increased the authorization of transfer tax funding that may be transferred to the Maryland Heritage Areas Authority Financing Fund, allowing for up to \$6 million to be transferred, provided that any amount transferred that is over \$3 million must be provided from the State's share of funds under Program Open Space.

State transfer tax revenue and unexpended balances have been redirected and transferred to the General Fund in recent years. During the 2015 through 2018 sessions, the legislature established a repayment plan for a portion of transfer tax revenues that had been diverted to the General Fund over multiple years to help close budget shortfalls.

Chapter 10 of 2016 established the repayment of \$242.2 million in past redirected transfer tax funds by fiscal 2029. This is comprised of \$90 million transferred from the transfer tax special fund to the General Fund in fiscal 2006 and the repayment of \$152.2 million for the partial repayment of transfers that occurred between fiscal 2016 and 2018. The plan provides for the use of general funds as a source of repayment to be expended as special funds in the budget.

The Budget Reconciliation and Financing Act of 2018 (Chapter 10) amended the transfer tax repayment plan established by Chapter 10 of 2016 and added a new three-year funding mandate. The repayment plan was modified by shifting \$15.0 million that was required to be distributed through the Program Open Space formula in fiscal 2019 to instead be repaid in fiscal 2022. The three-year funding mandate requires \$2.5 million to be paid in each of fiscal 2020, 2021, and 2022 to the Maryland Agricultural and Resource-Based Industry Development Corporation for the Next Generation Farmland Acquisition Program from a portion of the repayment of prior year transfer tax diversions to the General Fund that would otherwise have been allocated through the Program Open Space formula.

The Budget Reconciliation and Financing Act of 2020 (Chapter 538) authorized, for fiscal 2021 only, the Governor to transfer \$43.9 million from the balance in the Dedicated Purpose Account designated for Program Open Space repayment to the general fund.

The Budget Reconciliation and Financing Act of 2021 (Chapter 150) altered the transfer tax repayment in several ways: (1) for fiscal 2022 through 2030, the amount of transfer tax repayment allocated through the transfer tax formula was reduced by \$32.4 million; (2) for fiscal 2022, the share of repayment for the Critical Maintenance Program was increased from \$15.9 million to \$21.9 million, \$1.2 million was provided for a State Lakes Protection and Restoration Fund pilot dredging project at Deep Creek Lake, and \$20.7 million was provided through the transfer tax formula per existing statute; (3) for fiscal 2023 through 2027 an additional $2.5 million per year was provided for the Next Generation Farmland Acquisition Program; and (4) for fiscal 2025, $2.7 million was provided for the Maryland Agricultural and Resource-Based Industry Development Corporation with $2.3 million allocated for Maryland Agricultural and Resource-Based Industry Development Corporation activities and $435,000 allocated for grants and investments related to agricultural product aggregation and storage sites and facilities participation in the Certified Local Farm Enterprise Program.

Chapter 39 of 2022 authorized the Governor to transfer specified Program Open Space funds in the transfer tax special fund to the Park System Capital Improvement and Acquisition Fund by June 30, 2022. In addition, Chapter 39 repealed requirements that general fund appropriations be made to the transfer tax special fund in certain amounts that otherwise would have been used for park development and critical maintenance on DNR-managed lands or transferred to the Maryland Agricultural Land Preservation Foundation, the Rural Legacy Program, and the Heritage Conservation Fund.

Trends

Transfer tax revenues grew steadily from the late 1990s through the middle of the 2000s as a result of increasing real estate values. Revenues declined since reaching their peak in fiscal 2006 due to the significant decreases in housing sales and prices, reaching a low in 2010. Since then, revenues have rebounded, generally increasing since 2014, with only a slight decrease in 2019. Revenues received for fiscal 2021 were 25% higher than revenues received in fiscal 2020.

Payment Dates

Payments are due before a transfer is recorded with the clerk of the court or when filed with the State Department of Assessments and Taxation.

Administration of Tax

Administration/Collection Responsibility

For taxable deeds, the State tax is collected by the clerks of the circuit courts. The State Department of Assessments and Taxation collects the State tax on corporate transfers involving the filing of articles of transfer. The cost of administering this tax is not a separately stated item in the State budget.

Local Taxing Authority

All counties and Baltimore City, except Calvert, Carroll, Frederick, Somerset, and Wicomico, impose a local transfer tax.

History of Major Changes

1970 – Transfer tax first imposed on instruments conveying title to real property at one-half of 1% of the consideration paid to provide funding for Program Open Space.

1984 – Revised the distribution of revenues – the first $24 million of revenues are credited to Program Open Space and the balance to the General Fund.

1987 – Exemption enacted for the first $20,000 in consideration paid for owner-occupied, improved residential property (for transfers recorded after July 1, 1988).

1988 – Exemption is increased from $20,000 to $25,000 for transfers recorded after July 1, 1988.

1989 – Exemption is increased to $30,000 for transfers recorded after July 1, 1989.

1990 – Distribution of revenues revised to gradually increase the special fund distribution to 100% over the five-year period beginning in fiscal 1992.

1992/1993 – Phase-in of revenue distribution delayed so that it is accomplished over a four-year period beginning in fiscal 1994.

1995 – A lower rate was enacted for first-time homebuyers' share of State transfer tax; local governments authorized to provide exemption from local transfer tax and recordation tax. Exemption for first $30,000 of value of owner-occupied real property repealed.

1997 – Distribution of revenues revised to provide funding for the newly created Rural Legacy Program.

2002 – The Budget Reconciliation and Financing Act of 2002 transferred $11.2 million in transfer tax revenue overattainment from fiscal 2001 to the General Fund for fiscal 2002 and allocated $47.3 million in transfer tax revenues to the General Fund for fiscal 2003 and 2004 only.

2003 – The Budget Reconciliation and Financing Act of 2003 revised the distribution of revenues and allocated a portion of revenues to the General Fund: (1) $20.6 million in fiscal 2002 transfer tax revenue overattainment and $18.1 million in fiscal 2003 transfer tax revenue overattainment were redirected to the General Fund in fiscal 2003; (2) $55.6 million in additional transfer tax revenues were redirected to the General Fund in fiscal 2004; and (3) the transfer tax allocation formula was changed for fiscal 2005 so that 50% of the estimated transfer tax special funds were diverted to the General Fund.

2004 – The Budget Reconciliation and Financing Act of 2004 redirected (1) $70.3 million in transfer tax revenues to the General Fund for fiscal 2005 and (2) $41.9 million in estimated fiscal 2004 transfer tax revenue overattainment that would have otherwise supported programs in fiscal 2006. This diversion of transfer tax revenue was in addition to $77.0 million in fiscal 2005 transfer tax revenue that was already redirected to the General Fund.

2005 – The Budget Reconciliation and Financing Act of 2005 transferred $90.0 million ($21.8 million in fiscal 2004 revenue overattainment and $68.2 million in estimated fiscal 2006 revenues) in transfer tax revenues to the General Fund for fiscal 2006.

– Requirement that general funds reimburse Program Open Space and related programs for transfer tax revenues transferred to the General Fund in fiscal 2006 and thereafter, from unappropriated general fund revenues beginning in fiscal 2012. Specifically, it is required that (1) up to the first $10 million in unappropriated general funds be retained for the General Fund; (2) between $11 million and $60 million in unappropriated general funds be transferred to Program Open Space and related programs; and (3) the Governor appropriate any unappropriated general funds exceeding $60 million into the Rainy Day Fund.

2007* – Transfer taxes are imposed on the transfer of real property with a value of $1 million or more when the transfer is achieved through the sale of a "controlling interest" in a specified corporation, partnership, limited liability company, limited liability partnership, or other form of unincorporated business, effective July 1, 2008. Controlling interest is defined as more than 80% of the total value of the stock or the interest in capital and profits.

2008 – Transfers of real property between domestic partners are exempt from the transfer tax.

2010 – The Budget Reconciliation and Financing Act of 2010 (Chapter 484) authorized the transfer of $211.6 million in transfer tax funding to the General Fund, consisting of both unexpended prior year funding and fiscal 2011 funding for Program Open Space, the Rural Legacy Program, and the Maryland Agricultural Land Preservation Foundation. The fiscal 2011 capital budget (Chapter 483 of 2010) authorized and preauthorized the replacement of almost all of the transferred funding (including all of the local Program Open Space funding) with general obligation debt over the course of fiscal 2011 through 2013.

– Chapter 372 amended Chapter 419 of 2009, which originally authorized up to $70.0 million of special obligation debt (supported by transfer tax revenue), to allow for up to $70.0 million of either special or general obligation debt to be incurred.

2011 – The Budget Reconciliation and Financing Act of 2011 (Chapter 397) authorized the transfer of $5.6 million in transfer tax revenues to the General Fund in fiscal 2011 and the transfer of $94.5 million in transfer tax revenues to the General Fund in fiscal 2012. Although not required by Chapter 397, the transferred funds are partially replaced over a three-year period (fiscal 2012 through 2014). The total amount of fiscal 2012 through 2014 general obligation bond replacement reflected for the Department of Natural Resources is $9.48 million less than the transferred amount.

2013 – The Budget Reconciliation and Financing Act of 2013 (Chapter 425) authorized the transfer of $410.8 million of transfer tax revenue to the General Fund over five years, beginning with fiscal 2014.

– Transfers of real property between limited liability companies and their subsidiaries are exempted from the State transfer tax.

2014 – The Budget Reconciliation and Financing Act of 2014 (Chapter 464) redirected $69.1 million in transfer tax revenues to the General Fund in fiscal 2015.

Transfers of real property as part of a corporate reorganization under Section 368(a) of the Internal Revenue Code are exempted from the State transfer tax.

2016 – Established the repayment of $242.2 million in past redirected transfer tax funds by fiscal 2029 (Chapter 10).

2017 – Increased from $3 million to $6 million, the maximum amount of transfer tax funding distributed to Program Open Space that may be transferred to the Maryland Heritage Areas Authority Financing Fund, provided that any amount transferred exceeding $3 million must be provided from the State's share of funds under Program Open Space (Chapters 660 and 661).

2018 – Chapter 10 of 2018 amended the transfer tax repayment plan established by Chapter 10 of 2016 and added a new three-year funding mandate.

2020 – The Budget Reconciliation and Financing Act of 2020 (Chapter 538) authorized, for fiscal 2021 only, the Governor to transfer $43.9 million from the balance in the Dedicated Purpose Account designated for Program Open Space repayment to the General Fund.

2021 – The Budget Reconciliation and Financing Act of 2021 (Chapter 150) altered the transfer tax repayment in several ways: (1) for fiscal 2022 through 2030, the amount of transfer tax repayment allocated through the transfer tax formula was reduced by $32.4 million; (2) for fiscal 2022, the share of repayment for the Critical Maintenance Program was increased from $15.9 million to $21.9 million, $1.2 million was provided for a State Lakes Protection and Restoration Fund pilot dredging project at Deep Creek Lake, and $20.7 million was provided through the transfer tax formula per existing statute; (3) for fiscal 2023 through 2027, an additional $2.5 million per year was provided for the Next Generation Farmland Acquisition Program; and (4) for fiscal 2025, $2.7 million was provided for the Maryland Agricultural and Resource-Based Industry Development Corporation with $2.3 million allocated for Maryland Agricultural and Resource-Based Industry Development Corporation activities and $435,000 allocated for grants and investments related to agricultural product aggregation and storage sites and facilities participation in the Certified Local Farm Enterprise Program.

2022 – Chapter 39 authorized the Governor to transfer specified Program Open Space funds in the transfer tax special fund to the Park System Capital Improvement and Acquisition Fund by June 30, 2022. In addition, Chapter 39 repealed requirements that general fund appropriations be made to the transfer tax special fund in certain amounts that otherwise would have been used for park development and critical maintenance on Department of Natural Resources-managed lands or transferred to the Maryland Agricultural Land Preservation Foundation, the Rural Legacy Program, and the Heritage Conservation Fund.

*Special session.

Sections of the Maryland Annotated Code

Tax – Property Article, Title 13, Subtitles 1 and 2

Legislative Handbook Series Cross-reference

Volume VI – Maryland Local Government

Recordation Tax

Taxpayer

Any person or business conveying title to real property or creating or giving notice of a security interest (*i.e.*, a lien or encumbrance) in real or personal property, by means of an instrument of writing, must pay the recordation tax.

Recordation taxes are imposed on the transfer of real property with a value of $1.0 million or more when the transfer is achieved through the sale of a "controlling interest" in a specified corporation, partnership, limited liability company, limited liability partnership, or other form of unincorporated business. Controlling interest is defined as more than 80% of the total value of the stock or the interest in capital and profits.

Recordation taxes are generally imposed on an "indemnity mortgage" in the same manner as if the guarantor were primarily liable for the guaranteed loan, unless the recordation tax is paid on another instrument of writing that secures the payment of the guaranteed loan or the indemnity mortgage secures a guarantee of repayment of a loan for less than $3.0 million. An indemnity mortgage includes any mortgage, deed of trust, or other security interest in real property that secures a guarantee of repayment of a loan for which the guarantor is not primarily liable.

Tax Base

In the case of instruments conveying title, the tax base is the actual consideration paid; for articles of transfer, the tax base is the actual consideration paid for the real property; and for financing statements and mortgages, the tax base is the principal amount of the debt secured under the instrument.

Valuation of Base

Generally, the value is determined at the time of recording the instrument or in an affidavit filed with the instrument. In the case of instruments conveying title to real property, the law requires that a statement of the amount of the actual consideration paid, including the amount of any mortgage or deed of trust assumed by the grantee, be included in every instrument.

Articles of transfer and certain financing statements are filed with the State Department of Assessments and Taxation. Investments conveying title to real property and certain other financing statements are filed with the clerk of the court.

Tax Rates

The State sets a rate of $1.65 per $500 (or fraction thereof) of the consideration payable or of the principal amount of the debt secured for articles of transfer, articles of merger, or articles of consolidation filed with the State Department of Assessments and Taxation evidencing a merger, consolidation, or other transfer.

The State sets a rate of 55 cents per $500 (or fraction thereof) for instruments of writing for property located in two or more counties used as security for corporate bonds of public utilities.

Subdivisions are authorized by law to impose locally established recordation tax rates, with the revenues collected by the clerks of the court.

Special Provisions

Instrument of Writing

An instrument of writing is required in order to convey title to real property or a security interest in real or personal property and may include a deed or contract; a mortgage, deed of trust, or other contract that creates a security interest in real property; a lease of real property; an assignment of a lessee's interest in real property; articles of transfer; security agreements; articles of merger between foreign corporations or limited partnerships; and articles of consolidation between foreign corporations.

Exemptions

The following are exempt from recordation taxes: transfers to public agencies; liens on vehicles and vessels; transfers between relatives of the immediate family, including specified domestic partners; transfers between former spouses that are part of divorce decrees; transfers between former domestic partners; supplemental instruments; previously recorded instruments; refinancing instruments; mechanics liens or crop liens; uniform commercial code security agreements; judgments; releases; orders of satisfaction; participation agreements; transfer of business entity property between related business entities; corporate, limited liability company, or partnership conveyance; land installment contracts; options to purchase real property; deeds for prior contracts of sale and leases of seven years or less; certain articles of merger and consolidation between foreign corporations; transfers from cooperative housing corporations; transfers from specified entities to a limited liability company; transfers involving specified Maryland Stadium Authority affiliates; specified real estate enterprises; transfers of specified conservation easements; transfers of real property between limited liability companies and their subsidiaries; transfer of real property from an estate or to or from a trust; transfers of residential real property from a certified community development financial institution to an immediately preceding mortgagor or grantor and related mortgages or deed of trusts; and principal residences surrendered in bankruptcy.

Local governments are authorized to provide an exemption from the recordation tax for transactions granting a security interest in real property from the United States, the State, an agency of the State, or a political subdivision of the State. Local governments are also authorized to exempt, by law, from the local recordation tax an instrument of writing that transfers title to certain displaced homeowners if the improved residential property conveyed to the displaced homeowner qualifies as a replacement dwelling.

Payment Dates

Tax is due at the time of recording a deed or instrument of writing with the clerk of the court, or when filed with the State Department of Assessments and Taxation (for articles of transfer).

Administration of Tax

Administration/Collection Responsibility

The State Department of Assessments and Taxation administers the collection of the State recordation tax in the case of articles of transfer, merger, and consolidation. The cost of administering this tax is not a separately stated item in the State budget.

The director of finance in Prince George's County and either the clerks of the circuit courts or the county tax collectors in other jurisdictions administer the collection of the locally imposed recordation taxes for other instruments conveying title and financing statements where the statements are required to be filed locally.

Local Taxing Authority

All subdivisions have the authority to impose the recordation tax and to set the local tax rate.

Revenues

Local governments expected to collect $501.8 million in recordation tax revenues in fiscal 2022.

Distribution of Revenues

State recordation tax receipts on articles of transfer of corporate property are collected by the State Department of Assessments and Taxation and are remitted to the Comptroller who, after deducting the department's administrative costs, distributes the net proceeds to the counties based on the ratio of recordation tax collected in the prior fiscal year in each county to the total recordation tax collected.

State recordation tax receipts resulting from security interests for corporate public utility bonds are deposited to the General Fund.

The revenues collected by the clerks of the circuit court or the county tax collector are paid to the governing body of the county where collected, minus a commission of between 3% and 5% that is distributed to the State General Fund.

History of Major Changes

1937 – Recordation tax first imposed.

1947 – Rates increased from 10 cents per $100 to 55 cents for each $500.

1968 – Subdivisions authorized to set local recordation tax rates (repeal of federal documentary stamp tax effective January 1, 1968).

1972 – Required collection of a tax of $1.65 for each $500 of principal amount of debt secured under documents filed with the department.

1975 – Set basic tax rate at $1.65 for each $500 of consideration.

1997 – Exemption enacted for transfers of real property from a joint venture or a proprietorship involved primarily in real property transactions to a limited liability company if the members of the joint venture or proprietorship are identical and the predecessor entity is dissolved.

2000 – Exemption enacted for certain security interest filings made with the State Department of Assessments and Taxation under the Maryland Uniform Commercial Code – Secured Transactions.

– Authorized counties to designate county tax collectors, rather than clerks of the court, to collect recordation taxes.

2007* – Recordation taxes are imposed on the transfer of real property with a value of $1.0 million or more when the transfer is achieved through the sale of a "controlling interest" in a specified corporation, partnership, limited liability company, limited liability partnership, or other form of unincorporated business, effective July 1, 2008.

2008 – Transfers of real property between domestic partners are exempt from recordation taxes.

2012* – Certain indemnity mortgages subject to the recordation tax.

2013 – Transfers of real property between limited liability companies and their subsidiaries are exempt from the recordation tax.

– Application of the recordation tax on indemnity mortgages clarified.

2014 – Transfers of real property as part of a corporate reorganization under Section 368(a) of the Internal Revenue Code are exempt from the recordation tax.

2015 – Exemption added from the recordation tax for a purchase money mortgage or purchase money deed of trust related to a specific type of transfer.

2016 – Recordation tax exemption for certain transfers of controlling interest between subsidiaries of the same limited liability company and transfers between an existing subsidiary limited liability company and a new one with identical ownership.

2017 – Recordation tax exemption for a principal residence surrendered in bankruptcy.

– Recordation tax exemption for the transfer of real property from a sole proprietorship to a limited liability company if the sole member of the company is identical to the converting sole proprietor and specified other conditions are met.

2018 – Recordation tax exemption for the transfer of real property without consideration if the transfer is made from a revocable trust to a beneficiary as a result of the death of the settlor of the trust.

*Special session.

Sections of the Maryland Annotated Code

Tax – Property Article, Title 12

Legislative Handbook Series Cross-reference

Volume VI – Maryland Local Government

Agricultural Land Transfer Tax

Taxpayer

Agricultural land transfer taxes are paid by any person or business conveying title to agricultural land that is subject to the tax. Either the buyer or the seller, as determined by the contract of sale, may pay the tax. The tax is imposed, in addition to State and local transfer taxes, on an instrument of writing that transfers title to agricultural land. The tax is waived if the purchaser is willing to sign a Declaration of Intent to continue using the land for farming or woodland uses.

Tax Base

The tax base is the amount of consideration paid for the property, including the amount of any mortgage or deed of trust assumed by the grantee, less the value of any improvements or any land not subject to the tax.

Valuation of Base

The amount of consideration paid must be stated in the instrument of writing that transfers title to agricultural land.

Tax Rates

The rates assessed are:

- 5% for transfers of 20 acres or more of agricultural land;
- 4% for transfers of less than 20 acres assessed for agricultural use or as unimproved agricultural land; or
- 3% for transfers of less than 20 acres assessed as improved agricultural land or agricultural land with certain site improvements.

The transfer tax is reduced by 25% for each consecutive full taxable year before the transfer was made if the assessment was based on other than farm or agricultural use.

A 25% surcharge is imposed on an instrument of writing transferring title of certain agricultural land as a separate charge independent of the State agricultural land transfer tax. The surcharge does not apply to transfers of two acres or less of agricultural land to a child or grandchild of the owner. When determining the rate of the agricultural land transfer tax to be imposed, the amount of agricultural land that is exempted from the tax may not be included in the amount of agricultural land that is transferred.

Special Provisions

Instrument of Writing

An instrument of writing conveys title to or provides a leasehold interest in real property. The term includes a deed or contract, a lease, an assignment of a lessee's interest, and articles of transfer. The term does not include a mortgage, deed of trust, or other contract that creates an encumbrance on real property, or other security agreements.

Exemptions

An instrument of writing is not subject to the agricultural land transfer tax if:

- the amount of agricultural land transferred is not greater than the applicable residential minimum zoning size in effect at the time of transfer, and the transfer is to a member of the owner's immediate family for residential use; or

- the transferee declares that the land will remain in farm or agricultural use for at least five full consecutive taxable years.

Chapters 566 and 567 of 2019 repealed an exemption from the State agricultural land transfer tax for instruments of writing that convey property for land that has had the property tax paid for five full consecutive taxable years before the transfer on the basis of an assessment other than the farm or agricultural use assessment. In lieu of this exemption, a partial transfer tax reduction was provided. In addition, certain transfers of agricultural land were exempted from the agricultural land transfer tax if the land was previously subject to the tax for a previous transfer.

Payment Dates

An instrument of writing subject to agricultural land transfer tax may not be recorded in any county or filed with the State Department of Assessments and Taxation until the agricultural land transfer tax is paid to the collector for the county or paid to the department.

Administration of Tax

The tax is collected by each county's treasurer or department of finance.

Fines, Penalties, and Interest

If the land fails to comply with the agricultural use declaration made by the transferee, the transfer tax plus a penalty will be due on the portion that fails to comply. In this event, the transfer tax is equal to the fair market value of the property at the time of the violation of the owner's declaration of intent, multiplied by the applicable rate plus an additional 10% penalty.

Local Taxing Authority

All subdivisions have the authority to impose the agricultural land transfer tax under the rates set by State law.

Revenues

Exhibit 6.7 shows the State share of agricultural land transfer tax revenues for fiscal 2003 through 2022.

Exhibit 6.7
Maryland Agricultural Land Transfer Tax
Fiscal 2003-2022
($ in Millions)

Year	State Share	% Change
2003	$4.3	-43.3%
2004	5.4	25.6%
2005	8.6	59.3%
2006	7.3	-15.1%
2007	4.3	-41.1%
2008	2.8	-34.9%
2009	1.6	-42.9%
2010	1.9	18.8%
2011	1.4	-26.3%
2012	0.7	-49.3%
2013	3.0	322.5%
2014	1.9	-36.7%
2015	1.7	-10.5%
2016	2.5	49.2%
2017	1.8	-30.1%
2018	2.2	22.1%
2019	3.3	52.5%
2020	4.1	25.4%
2021	3.5	-16.6%
2022*	4.2	22.2%

*Through May 2022

Source: Maryland Department of Agriculture; State Department of Assessments and Taxation; Department of Legislative Services

Distribution of Revenues

The agricultural land transfer tax is collected by each county. Of the total collections, each county retains one-third of the funds (except Montgomery, which retains two-thirds) and transfers the balance to the Comptroller, which are distributed as follows:

- up to $200,000 annually from land that is entirely woodland to the Mel Noland Woodland Incentives Fund;
- $2.76 million, plus 5.0% over the amount distributed for the preceding fiscal year, to the Maryland Agricultural Land Preservation Foundation;
- 37.5%, up to a maximum of $4.0 million annually, to the Maryland Agricultural and Resource-Based Industry Development Corporation’s Next Generation Farmland Acquisition Program; and
- any remaining revenue to the Maryland Agricultural Land Preservation Foundation.

The Maryland Agricultural and Resource-Based Industry Development Corporation may use up to 3% of funds received for administrative costs for the Next Generation Farmland Acquisition Program. Funds received by the Maryland Agricultural Land Preservation Fund after a specified date can only be used in Priority Preservation areas, and the Maryland Agricultural Land Preservation Foundation also has additional flexibility in using resources to purchase agricultural land easements.

The monies retained by each county are generally used as local matching funds under the State agricultural easement program and for other approved county agricultural preservation programs. The counties must spend or encumber all agricultural transfer tax revenues within six years from the date of receipt or remit the unspent or unencumbered portion to the Comptroller for deposit into the Maryland Agricultural Land Preservation Fund.

In 1990, the General Assembly created a program through which the Maryland Department of Planning and the Maryland Agricultural Land Preservation Foundation jointly certify county land preservation programs that meet certain requirements and demonstrate their effectiveness. Certification allows a county to retain 75% of the agricultural transfer tax revenues collected by that county rather than 33% (or 67% in Montgomery County) and a portion of surplus funds, if any, held by the Maryland Agricultural Land Preservation Fund at the end of the fiscal year. Certification lasts for three years, or five years if a county has been initially certified and then recertified without interruption.

History of Major Changes

1981 – Agricultural land transfer tax created (derived from the development penalties created in 1969 to deter the development of lands receiving the agricultural use property assessment).

1982 – Transfer tax rates changed to the current rate structure based on the size of the property and not based on the previous type of assessment.

1988 – Tax penalty created for landowners who violate the declaration of intent to maintain the land in agricultural use. The new formula provided that the tax rates should be applied to the fair market value at the time that the declaration of intent was violated (when land was no longer used for agricultural purposes). Under previous law, the tax was calculated as the amount that would have been payable at the time of the transfer had the owner not filed a declaration.

1990 – Certification program created giving counties the ability to retain a larger portion of the agricultural land tax revenues.

2008 – A 25% surcharge is imposed on an instrument of writing that transfers title of certain agricultural land. The surcharge does not apply to the transfer of agricultural land to a child or grandchild of the owner. Distribution of agricultural land transfer tax revenue is altered.

2015 – When determining the rate of the agricultural land transfer tax to be imposed, the amount of agricultural land that is subject to a specified exemption may not be included in the amount of agricultural land that is transferred.

2016 – The definition of the State tax is altered to exclude the 25% surcharge and impose the surcharge as a separate charge independent of the State tax.

2018 – Specified recertifications for county land preservation programs extended from three years to five years. Increases from six years from three years the time period in which counties must use revenue received from the agricultural land transfer tax before it must be remitted to the State if not spent or committed.

2019 – An exemption from the tax is repealed for instruments of writing that convey property for land that has had the property tax paid for five full consecutive taxable years before the transfer on the basis of an assessment other than the farm or agricultural use assessment. In lieu of this exemption, a partial transfer tax reduction was provided. In addition, certain transfers of agricultural land were exempted from the tax if the land was previously subject to the tax for a previous transfer.

Sections of the Maryland Annotated Code

Tax – Property Article, Title 13, Subtitle 3; Economic Development Article, Title 10-523.

Chapter 7. Tobacco and Alcoholic Beverage Taxes

Tobacco Tax

Taxpayer

Taxpayers include licensed Maryland cigarette wholesalers who pay the tax by purchasing tax stamps that they affix to all packages of cigarettes before sale at retail; registered wholesalers who sell other tobacco products to a retailer or consumer in the State; licensed remote tobacco sellers who sell premium cigars or pipe tobacco to a consumer in the State; manufacturers who distribute sample cigarettes; and other retailers or consumers who possess other tobacco products in the State on which the tobacco tax has not been paid.

Tax Base

The tax base includes cigarettes and other tobacco products, including cigars, loose pipe tobacco, chewing tobacco, snuff, filters, rolling papers, pipes (other than certain tobacco pipes), and hookahs possessed in the State. Tobacco pipes made primarily of meerschaum, wood, or porcelain with a bowl designed to be used without a screen or filter are not subject to the tobacco tax but are subject to the sales and use tax.

Valuation of Base

The taxpayer files monthly reports in accordance with rules and regulations of the Comptroller.

Tax Rates

The tax on a typical pack of 20 cigarettes is $3.75. The tax is 17.5 cents per cigarette for packs in excess of 20 cigarettes. Most other tobacco products, including loose pipe tobacco, chewing tobacco, snuff, filters, rolling papers, pipes (other than certain tobacco pipes), and hookahs, are taxed at a rate of 53% of the wholesale price. Nonpremium cigars are taxed at a rate of 70% of the wholesale price. Premium cigars (other than premium cigars sold by an out-of-state seller) are taxed at a rate of 15% of the wholesale price. Pipe tobacco (other than pipe tobacco sold by an out–of–state seller) is taxed at 30% of the wholesale price. For premium cigars and pipe tobacco sold by an out-of-state seller, the tobacco tax rate applies to the actual price paid by an out-of-state seller for a stock keeping unit or, if the actual price paid by an out-of-state seller for a stock keeping unit is not available, the average of the actual price paid by an out-of-state seller for a stock keeping unit over the 12 calendar months before January 1 of the year in which the sale occurs.

Electronic smoking devices, vaping liquid, and certain tobacco pipes made primarily of meerschaum, wood, or porcelain are not subject to the tobacco tax. Electronic smoking devices and the specified tobacco pipes are instead taxed under the sales and use tax at a 12% rate. Vaping liquid sold in a container that contains 5 milliliters or less of vaping liquid is taxed under the sales and use tax at a 60% rate.

Special Provisions

Tax Stamps

Tax stamps are affixed to a package of cigarettes to evidence payment of the tax.

Exemptions

Cigarettes and other tobacco products are exempt from tax if they are held for storage in a licensed storage warehouse on behalf of a licensed cigarette manufacturer or by a licensed wholesaler for sale outside the State or to a U.S. Armed Forces exchange or commissary. Consumers can bring into the State a maximum of $100 worth of other tobacco products or five cartons of cigarettes without being subject to the tax. Cigarettes that are being transported in the State that have certain record and invoice information and that are not deemed contraband are exempt from the tax.

Tax Refunds/Credits

Refunds/credits are given if stamps (1) are damaged or mutilated; (2) have been lost or destroyed (except by theft and the loss must be over $250); (3) are erroneously affixed to anything other than a package of cigarettes or are affixed to a package of cigarettes that is unable to be sold; or (4) have been canceled by the Comptroller.

Discounts

A wholesaler is given a discount of 0.82% of the gross purchase price of the stamps.

Payment Dates

Wholesalers may purchase stamps with cash, certified check, with approved credit for up to 95% of the security for the tax posted with the Comptroller, or with cigarette tax credits issued by the Comptroller. The Comptroller may exempt licensed wholesalers who meet certain conditions from filing a security. Cash and tax credit payments must be made at the time of sale; tax due for credit purchases must be remitted by the twenty-first of the month following the report month.

Administration of Tax

The Revenue Administration Division of the Comptroller of the Treasury is responsible for the administration and collection of the tobacco tax.

Fines, Penalties, and Interest

A monetary penalty of not more than 25% of the tax due is imposed for failure to pay the tax.

Interest on unpaid tobacco taxes is assessed at the rate set by statute or 3% above the prime rate, whichever is greater.

A person who willfully possesses, sells, or attempts to sell unstamped or improperly stamped cigarettes is guilty of a misdemeanor. If the number of unstamped or improperly stamped cigarettes that a person possesses, sells, or attempts to sell is 30 cartons or less, the person is subject to a fine of up to $500 and/or imprisonment of up to three months. If more than 30 cartons are involved, the person is subject to a fine of up to $1,000 and/or imprisonment of up to one year. In addition, a person who willfully possesses, sells, or attempts to sell other tobacco products on which the tobacco tax has not been paid is guilty of a misdemeanor and is subject to a fine of up to $500 and/or imprisonment of up to three months.

An individual who willfully ships, imports, sells into or within, or transports within the State cigarettes or other tobacco products on which the tobacco tax has not been paid in violation of specified laws is guilty of a felony and, on conviction, is subject to (1) for a first violation, a mandatory fine of $150 for each carton or package transported and (2) for a subsequent violation, a mandatory fine of $300 for each carton or package transported. In addition to these mandatory fines, for a first or subsequent violation, a person may be subject to imprisonment for up to two years.

Local Taxing Authority

State law prohibits local governments from imposing a tax on cigarettes, other tobacco products, or electronic smoking devices, except that a county that imposed a tax on electronic smoking devices on January 1, 2020, may continue to impose the tax at the same rate that was in effect on January 1, 2020. In accordance with this law, Montgomery County is the only local government that imposes a tax on electronic smoking devices.

Revenues

Exhibit 7.1 shows tobacco tax revenues from fiscal 2004 to 2023.

Exhibit 7.1
Maryland Tobacco Tax Revenues
Fiscal 2004-2023 Est.

Fiscal Year	Net Revenues[1] ($ in Millions)	% Change
2004	$271.8	1.4%
2005	275.7	1.5%
2006	280.7	1.8%
2007	283.3	0.9%
2008[4]	376.1	32.8%
2009	405.6	7.8%
2010	405.9	0.1%
2011	407.6	0.4%
2012	411.4	1.0%
2013[5]	415.9	1.1%
2014	402.4	-3.2%
2015	391.5	-2.7%
2016	395.3	1.0%
2017	386.9	-2.1%
2018	372.6	-3.7%
2019	356.6	-4.3%
2020	362.8	1.7%
2021[6]	369.5	1.9%
2022 Est.	532.7	44.2%
2023 Est.	519.7	-2.4%

[1] Net of refunds and credits.
[2] Tax rate of 15% imposed on other tobacco products effective July 1, 2000.
[3] Tax rate on cigarettes increased from 66 cents to $1.00 on June 1, 2002.
[4] Tax rate on cigarettes increased from $1.00 to $2.00 on January 1, 2008.
[5] Tax rate on certain other tobacco products increased from 15% to 30%/70%.
[6] Tax rate on cigarettes increased from $2.00 to $3.75, and tax rate on certain other tobacco products increased from 30% to 53% on March 14, 2021.

Source: Comptroller of the Treasury

Distribution of Revenues

After an allowance for refunds, the proceeds are allocated to the General Fund.

Trends

Cigarette sales in Maryland peaked in the mid-1970s and have been in a long-term decline. State tax rate increases enacted beginning in fiscal 2000, which have increased the tax rate from 36 cents per pack to the current $3.75 per pack, have accelerated the decrease in sales. Since fiscal 2000, cigarette sales have decreased by more than one-half.

Increases in tobacco tax revenues in recent years have been attributable primarily to tax rate increases rather than increases in tobacco consumption. A shift in the tobacco market from traditional cigarettes to electronic cigarettes is one of the factors that has reduced consumption of tobacco. Electronic cigarettes are not subject to the tobacco tax, but are subject to the sales and use tax.

Comparative Federal Tax Rate

The United States imposes a federal excise tax of $1.01 per pack of 20 cigarettes.

Comparison with Other States

Exhibit 7.2 shows a summary of state taxes imposed on cigarettes.

Exhibit 7.2
State Tobacco Tax Rates
Comparison with Other States
January 2022

State	Tax Rate (Cents Per Pack)	Rank	State	Tax Rate (Cents Per Pack)	Rank
Alabama[1]	67.5	41	Nebraska	64.0	42
Alaska	200.0	19	Nevada	180.0	25
Arizona	200.0	19	New Hampshire	178.0	26
Arkansas	115.0	36	New Jersey	270.0	14
California	287.0	13	New Mexico	200.0	19
Colorado	194.0	24	New York[1]	435.0	2
Connecticut	435.0	2	North Carolina	45.0	48
Delaware	210.0	17	North Dakota	44.0	49
District of Columbia[2]	450.0	1	Ohio	160.0	29
Florida	133.9	33	Oklahoma	203.0	18
Georgia	37.0	50	Oregon	333.0	7
Hawaii	320.0	8	Pennsylvania	260.0	15
Idaho	57.0	46	Rhode Island	425.0	4
Illinois[1]	298.0	12	South Carolina	57.0	46
Indiana	99.5	39	South Dakota	153.0	30
Iowa	136.0	32	Tennessee[1]	62.0	43
Kansas	129.0	34	Texas	141.0	31
Kentucky	110.0	37	Utah	170.0	27
Louisiana	108.0	38	Vermont	308.0	9
Maine	200.0	19	Virginia[1]	60.0	44
Maryland	375.0	5	Washington	302.5	11
Massachusetts	351.0	6	West Virginia	120.0	35
Michigan	200.0	19	Wisconsin	252.0	16
Minnesota[3]	304.0	10	Wyoming	60.0	44
Mississippi	68.0	40			
Missouri[1]	17.0	51			
Montana	170.0	27	**U.S. Median**	**178.0**	

[1] Counties and cities may impose additional taxes.
[2] The District of Columbia imposes an additional in lieu cigarette sales tax, with a current rate of 51 cents.
[3] Minnesota imposes an additional in lieu cigarette sales tax at a rate of 66.3¢ as of January 1, 2022.

Source: Federation of Tax Administrators

History of Major Changes

1957	–	Tobacco tax legislation passed and vetoed by Governor.
1958	–	Bill passed over Governor's veto and tax imposed at the rate of 3 cents per pack.
1961	–	Rate increased to 6 cents per pack.
	–	Political subdivisions prohibited from imposing cigarette taxes.
1975	–	Rate increased to 10 cents per pack.
1980	–	Rate increased to 13 cents per pack but exempted tobacco from sales tax.
1991	–	Rate increased to 16 cents per pack, and sales tax exemption repealed.
1992	–	Rate increased to 36 cents per pack.
	–	Distribution of revenues to the subdivisions repealed.
1999	–	Cigarette tax rate increased to 66 cents per pack.
	–	Licensed wholesaler discount reduced from 1.36% to 0.82%.
	–	15.0% tax on the wholesale price of other tobacco products, such as cigars and smokeless tobacco, is imposed effective July 1, 2000.
2002	–	Cigarette tax rate increased to $1.00 per pack.
2007*	–	Cigarette tax rate increased to $2.00 per pack effective January 1, 2008.
2012*	–	The tax rate on moist snuff and smokeless tobacco increased from 15% to 30% of the wholesale price, and tax rate increased on nonpremium cigars to 70% of the wholesale price.
2013	–	Exemptions from the tobacco tax for cigarettes and other tobacco products brought into the State by consumers increased.
2019	–	Out-of-state sellers of premium cigars or pipe tobacco are required to pay the tobacco tax on products sold to consumers in the State.

2021 – Tax rate on cigarettes increased to $3.75 per pack and tax rate on most other tobacco products increased from 30% to 53% of the wholesale price (the tax rates for cigars and pipe tobacco remain unchanged).

– Filters, rolling papers, pipes (other than certain tobacco pipes), and hookahs become subject to the tobacco tax.

– Electronic smoking devices and certain tobacco pipes become subject to the sales and use tax at a 12% rate, and vaping liquid sold in a container that contains 5 milliliters or less of vaping liquid becomes subject to the sales and use tax at a 60% rate.

– Local governments are prohibited from imposing a tax on electronic smoking devices unless the tax was in effect on January 1, 2020.

– Out–of–state sellers of premium cigars or pipe tobacco to consumers in the State are required to obtain a license and comply with certain procedures to pay the tobacco tax.

* Special session

Sections of the Maryland Annotated Code

Tax – General Article, Titles 12 and 13

Alcoholic Beverage Taxes

Taxpayer

- ***Distilled Spirits Tax (Liquor Tax):*** The taxpayers are licensed Maryland wholesalers who sell to Maryland retailers.

- ***Beer Tax:*** The taxpayers are licensed nonresident dealers for beer sales only to wholesalers, Maryland wholesalers (self-import products), or Maryland manufacturers. The taxpayer must pay the tax prior to the product entering the State (except for beer manufactured in Maryland).

- ***Wine Tax:*** The taxpayers are licensed Maryland wholesalers or manufacturers (wineries) who pay the tax on prior month sales and deliveries of wine to retail dealers or, in the case of certain small wineries, deliveries to customers.

Tax Base

- ***Distilled Spirits Tax:*** All distilled spirits (*i.e.*, any alcoholic beverage except beer or wine) sold or delivered by a licensed manufacturer or wholesaler to any retail dealer in the State are subject to the tax.

- ***Beer Tax:*** Any brewed alcoholic beverages, including beer, ale, porter, stout, hard cider, and mead, sold or delivered in Maryland are subject to the tax. In addition, an alcoholic beverage is subject to the beer tax if it is primarily derived from grain fermentation, and either contains 6.0% or less alcohol and has less than one-half of the overall alcohol content obtained from flavors and other added nonbeverage ingredients containing alcohol or contains more that 6.0% alcohol and less than 1.5% of the overall alcohol content obtained from flavors.

- ***Wine Tax:*** All wine, including champagne, cider, sake, perry, and vermouth, sold or delivered by a licensed wholesaler or winery to any retail dealer in the State is subject to the tax.

Valuation of Base

The taxpayer files monthly tax returns in accordance with the rules and regulations of the Comptroller.

Tax Rates

- ***Distilled Spirits Tax:*** The tax is imposed at the rate of $1.50 per gallon or 39.63 cents per liter. If the distilled spirit is greater than 100 proof, an additional tax of 1.5 cents for each gallon or 0.3963 cents for each liter is applied for each one proof over 100.

- ***Beer Tax:*** The tax is imposed at the rate of 9 cents per gallon or 2.3778 cents per liter.

- ***Wine Tax:*** The tax is imposed at the rate of 40 cents per gallon or 10.57 cents per liter.

Special Provisions

Exemptions

No tax is paid on liquor, beer, and wine that is brought into the State under an import/export permit, a nonbeverage permit, or a nonresident storage permit; used on airplanes, trains, or ships, unless consumed in Maryland; produced in connection with a fuel-alcohol or family beer and wine permit; brought into the State in limited quantities for personal use; used for sacramental or medicinal purposes; or shipped to federal reservations. A person who pays the tax on alcoholic beverages shipped to federal reservations or used for sacramental or medicinal purposes may obtain the exemption by filing a claim for refund with the Comptroller.

Refunds

Refunds are given for loss (excluding theft), if the total loss exceeds $250; alcoholic beverages, beer, and wine that are exempt; and for a discontinued business or discontinued sale and delivery of alcoholic beverages in certain container sizes, or for alcoholic beverages that are condemned.

Discounts

None.

Payment Dates

Most taxpayers must file tax returns on a monthly basis on the date set by statute or by the Comptroller by regulation. Direct wine sellers must file quarterly.

Administration of Tax

The Revenue Administration Division of the Comptroller of the Treasury is responsible for collecting alcoholic beverage taxes.

Fines, Penalties, and Interest

A monetary penalty of not more than 25% of the tax due is imposed for failure to pay the tax. A person who willfully files a false alcoholic beverage tax return is guilty of perjury and is subject to the penalty for perjury. A person who participates in evading the alcoholic beverage tax is subject to a fine not exceeding $10,000 or imprisonment not exceeding five years or both.

Interest on unpaid alcoholic beverage taxes is assessed at the rate set by statute or 3% above the prime rate, whichever is greater.

Local Taxing Authority

- ***Distilled Spirits Tax:*** None.

- ***Beer Tax:*** None.

- ***Wine Tax:*** None.

Revenues

Revenues generated in fiscal 2004 to 2023 from alcoholic beverage taxes are shown in **Exhibit 7.3, Exhibit 7.4**, and **Exhibit 7.5**, respectively.

Exhibit 7.3
Maryland Liquor Tax (Distilled Spirits Tax) Revenues
Fiscal 2004-2023 Est.

Fiscal Year	Net Revenues[1] ($ in Millions)	% Change
2004	$12.9	-5.5%
2005	13.2	2.3%
2006	13.7	3.8%
2007	14.2	3.6%
2008	14.3	0.7%
2009	14.7	2.6%
2010	15.1	2.6%
2011	15.6	3.2%
2012	16.0	2.6%
2013	15.8	-1.3%
2014	16.1	1.8%
2015	15.9	-1.2%
2016	16.5	3.8%
2017	16.9	2.4%
2018	17.0	0.6%
2019	17.4	2.5%
2020	17.2	-1.5%
2021	23.5	36.5%
2022 Est.	18.9	-19.5%
2023 Est.	19.2	1.6%

[1] Net of refunds and credits.

Source: Comptroller of the Treasury

Exhibit 7.4
Maryland Beer Tax Revenues
Fiscal 2004-2023 Est.

Fiscal Year	Net Revenues[1] ($ in Millions)	% Change
2004	$9.4	-3.3%
2005	9.4	0.0%
2006	9.4	0.0%
2007	9.4	0.0%
2008	9.4	0.0%
2009	9.1	-3.3%
2010	8.9	-2.2%
2011	9.1	2.2%
2012	9.0	-1.1%
2013	8.9	-1.1%
2014	8.6	-3.4%
2015	8.7	1.2%
2016	8.7	0.0%
2017	8.4	-3.4%
2018	8.2	-1.9%
2019	8.4	1.9%
2020	7.9	-5.4%
2021	8.3	4.8%
2022 Est.	7.9	-4.1%
2023 Est.	7.9	-0.8%

[1] Net of refunds and credits.

Source: Comptroller of the Treasury

Exhibit 7.5
Maryland Wine Tax Revenues
Fiscal 2004-2023 Est.

Fiscal Year	Net Revenues[1] ($ in Millions)	% Change
2004	$4.6	-4.5%
2005	4.8	4.3%
2006	4.9	2.1%
2007	5.1	4.1%
2008	5.2	2.0%
2009	5.4	3.8%
2010	5.5	1.9%
2011	5.8	5.5%
2012	6.0	3.4%
2013	6.1	1.6%
2014	6.1	0.0%
2015	6.4	4.9%
2016	6.3	-1.6%
2017	6.9	9.5%
2018	6.5	-6.1%
2019	6.4	-1.5%
2020	5.8	-9.4%
2021	7.2	24.2%
2022 Est.	6.4	-11.1%
2023 Est.	6.5	0.9%

[1] Net of refunds and credits.

Source: Comptroller of the Treasury

Distribution of Revenues

Generally, after allowing for refunds, alcoholic beverage tax proceeds go to the General Fund. However, revenues generated from the tax on beer, wine, and distilled spirits produced by breweries, wineries, and distilleries in Maryland are distributed to the Maryland Alcohol Manufacturing Promotion Fund instead of the General Fund. The Maryland Alcohol Manufacturing Promotion Fund is used to provide grants to nonprofit organizations and State or local governmental units for promoting breweries, distilleries, and wineries in the State.

Trends

Distilled Spirits Tax: Tax revenue from distilled spirits increased sharply in fiscal 2021, rising by more than one-third. The revenue increase coincided with a significant increase in per capita consumption of distilled spirits. However, revenue from distilled spirits is projected to decrease significantly in fiscal 2022.

Beer Tax: Although relatively stable, beer revenues have experienced modest peaks and troughs. Beer tax revenue increased in fiscal 2021 as it did for distilled spirits but by a far smaller amount. Per capita beer consumption also increased noticeably in fiscal 2021. However, beer tax revenue is expected to decline in fiscal 2022.

Wine Tax: Wine tax revenues increased sharply in fiscal 2021 as it did for distilled spirits and beer. However, per capita consumption of wine remained nearly constant in fiscal 2021. Wine tax revenue is projected to decline significantly in fiscal 2022. It is unclear why revenues are fluctuating while consumption is stable. The Alcohol and Tobacco Commission advises that their new comprehensive tax collection and licensing system, Compass, went live in July 2020. Subsequent system adjustments may have skewed some of the initial data collected in the system.

Comparative Federal Tax Rates

- ***Distilled Spirits Tax:*** There is a federal excise tax of $2.70 per proof gallon for the first 100,000 proof gallon of distilled spirits, $13.34 per gallon over 100,000 proof gallons up to 22,230,000 proof gallons, and $13.50 per proof gallon over 22,230,000 proof gallons.

- ***Beer Tax:*** Federal excise tax on beer is $16.00 per barrel for a domestic brewer who brews 2 million barrels or less per calendar year with the first 60,000 barrels taxed at a reduced rate of $3.50 per barrel. For other beer, the tax rate is $16.00 per barrel for the first 6 million barrels and $18.00 per barrel over 6 million barrels.

- ***Wine Tax:*** Federal excise tax on wine is shown in **Exhibit 7.6**.

Exhibit 7.6
Federal Excise Tax on Wine

	First 30,000 Gallons	Over 30,000 Up to 130,000 Gallons	Over 130,000 Up to 750,000 Gallons	Over 750,000 Gallons
16% Alcohol or Less or Mead	$0.07	$0.17	$0.535	$1.07
Over 16% to 21%	0.57	0.67	1.035	1.57
Over 21% to 24%	2.15	2.25	2.615	3.15
Artificially Carbonated	2.3	2.4	2.765	3.3
Sparkling Wine	2.4	2.5	2.865	3.4
Hard Cider	0.164	0.17	0.193	0.226

Source: U.S. Department of the Treasury

History of Major Changes

Distilled Spirits Tax

1933 – Tax first imposed on distilled spirits that are not over 100 proof at the rate of $1.10 per gallon.

1939 – Tax increased to $1.25 on 100 proof or less.

1955 – Tax increased to $1.50 on 100 proof or less.

1991 – Requirement for distilled spirits excise tax stamps repealed.

1992 – Distribution of revenues to the subdivisions repealed.

2022 – Revenue from distilled spirits produced by Maryland distilleries distributed to the Maryland Alcohol Manufacturing Promotion Fund.

Beer Tax

1936 – Beer tax first imposed at the rate of 2.4375 cents per gallon on April 1, 1936.

1938 – Rate increased to 3 cents per gallon.

1972 – Rate increased to 9 cents per gallon.

1992 – Distribution of beer tax revenues to the subdivisions repealed.

2000 – Hard cider is considered as beer for tax purposes.

2006 − Garrett County beer tax is repealed.

2019 – Mead is considered as beer for tax purposes.

2022 – Revenue from beer produced by Maryland breweries distributed to the Maryland Alcohol Manufacturing Promotion Fund.

Wine Tax

1935 – Wine tax imposed at the rate of 20 cents per gallon on April 1, 1935; prior to that date, a tax was levied on sparkling and fortified wines at the same rate as distilled spirits (*i.e.*, $1.10 per gallon).

1972 – Rate increased to 40 cents.

2015 – Revenue from wine produced at Maryland wineries distributed to the Maryland Wine and Grape Promotion Fund.

2022 – Revenue from wine produced by Maryland wineries distributed to the Maryland Alcohol Manufacturing Promotion Fund. The Maryland Wine and Grape Promotion Fund is repealed.

Sections of the Maryland Annotated Code

Tax – General Article, Titles 5 and 13

Chapter 8. Inheritance and Estate Taxes

Inheritance Tax

Taxpayer

Each executor, administrator, trustee, agent, fiduciary, or other person who distributes property that is subject to the inheritance tax is required to pay the tax before distributing the property. The recipient of property that passes from a decedent is required to pay the tax if that property passes from a decedent without distribution, or if the person who distributes property does not pay the tax as required.

Tax Base

The inheritance tax is imposed on the privilege of receiving property that has a taxable situs in the State and passes from a decedent to a collateral beneficiary (*i.e.*, a person other than a lineal relative or sibling of the decedent). Property that passes to "direct" or lineal beneficiaries or siblings of the decedent is exempt from the tax.

The tax is imposed on property that passes at or after the death of an individual by will or under Maryland's laws of intestacy, by trust, or otherwise. The tax applies to all property in which the decedent had an interest that may be passed on to heirs, including joint tenancies, remainder interests, property transferred in contemplation of death, or property transferred during life over which the decedent retained any dominion.

Valuation of Base

Within three months of appointment, a personal representative must submit to the register of wills:

- an inventory report showing the value of all assets in the probate estate, including all interests in real property, tangible personal property, bank accounts, stocks, bonds, debts due the decedent, and all other interests; and

- an information report showing nonprobate property that may be subject to the inheritance tax, such as (1) property in which the decedent at death had an interest as joint owner (other than with the surviving spouse); (2) transfers made in contemplation of death; and (3) an interest in an annuity or a public or private pension plan.

In estates where there is no formal administration, the person(s) receiving the property must file an application to fix inheritance tax on nonprobate assets within three months of the date of death.

Tax Rate

The inheritance tax is imposed at the rate of 10% on the "clear value" of the property that passes from a decedent. Clear value of assets means the market value of the assets less expenses.

Exemptions

The inheritance tax does not apply to:

- property passing to spouses, lineal beneficiaries, or siblings of decedents;
- interest in a joint primary residence that was owned in joint tenancy and passes to the domestic partner of a decedent;
- the first $500 for perpetual upkeep of a grave;
- transfers to *bona fide* charitable, scientific, educational, religious, or literary institutions (organizations exempt from taxation under § 501(c)(3) of the Internal Revenue Code);
- distributions to any one person of $1,000 or less;
- small estates whose value is $50,000 or less (subject to administration under the Estates and Trusts Article);
- the receipt of an annuity under a pension plan, if the annuity is not taxable for federal estate tax purposes;
- proceeds of a life insurance policy payable to any beneficiary other than the estate of the insured;
- except for tangible personal property that has its situs in Maryland, personal property that passes from a nonresident decedent if, at the time of death, the decedent is a resident of a state or foreign country whose law, on the date of the decedent's death, does not impose death taxes on the receipt of similar personal property of a resident of this State or contains a reciprocal exemption from death taxes similar to this exemption;
- property passing from a decedent to the State, its counties, or its municipal corporations;
- income on probate assets after the death of the decedent;
- tangible or intangible property or compensation for tangible or intangible property that was seized, misappropriated, or lost as a result of the actions or policies of Nazi Germany toward a Holocaust victim, or amounts received by a decedent as reparations or restitution

for the loss of liberty or damage to the health of the decedent because the decedent was a Holocaust victim or a spouse or descendant of a Holocaust victim; and

- real property that is subject to a perpetual conservation easement that passes to or for the use of a niece or nephew of the decedent.

Payment Dates

In general, the inheritance tax is due when the personal representative accounts for the distribution of property of the estate, and the register of wills determines the amount due. If an estate is administered under modified administration, the tax is due when the personal representative files the final report.

Administration of Tax

Administration/Collection Responsibility

The register of wills of the county where the decedent resided at the time of death collects the inheritance tax or, if there is no formal administration of the estate and there is real property, the register of wills in the county where the real property is located collects the tax. If the decedent is not a Maryland resident, the register of wills in the county where the largest part of estate assets is located collects the tax.

Costs

The register of wills' office retains a 25% commission from the inheritance tax that is used for administrative costs. Any revenues (including fees of the register of wills' office as well as commissions from inheritance taxes) exceeding the expenses of the register of wills' office are remitted to the Comptroller and credited to the General Fund.

Fines, Penalties, and Interest

Interest on unpaid inheritance tax is assessed at a rate set by statute, or 3% above the prime rate, whichever is greater, and begins:

- 30 days after the date on which the tax is determined;
- on the original due date, if there is no formal administration of the estate and the tax is not paid within 30 days after the date on which the tax bill is mailed; or
- 30 days after the original due date, if an alternative payment schedule for inheritance tax is allowed.

A penalty of 10% may be assessed for unpaid inheritance tax at or after the time interest may be assessed. Unpaid tax constitutes a lien in favor of the State.

Local Taxing Authority

None.

Revenues

Exhibit 8.1 shows the inheritance tax revenues from fiscal 2004 to 2023.

Exhibit 8.1
Maryland Inheritance Tax Revenues
Fiscal 2004-2023 Est.
($ in Millions)

Fiscal Year	Net Revenues[1]	% Change
2004	$42.4	-9.0%
2005	45.7	7.8%
2006	50.4	10.3%
2007	47.8	-5.2%
2008	49.0	2.5%
2009	52.0	6.1%
2010	47.5	-8.6%
2011	55.7	17.3%
2012	51.7	-7.2%
2013	52.9	2.3%
2014	50.5	-4.5%
2015	48.8	-3.4%
2016	55.9	14.5%
2017	52.9	-5.4%
2018	58.3	10.2%
2019	63.8	9.4%
2020	59.4	-7.0%
2021	58.9	-0.8%
2022 Est.	68.4	16.2%
2023 Est.	65.1	-4.8%

[1] Net of registers of wills' commissions.

Source: Comptroller of the Treasury

Distribution of Revenues

After a 25% commission allowance, each register must file a monthly report with the Comptroller and remit the revenues for credit to the General Fund. Any refunds must be certified by the Comptroller.

Trends

Inheritance tax revenues fluctuate due to their dependence on estate value and type of distribution. Yearly revenues averaged $55.3 million for fiscal 2012 through 2021. Fiscal 2022 and 2023 revenue is estimated to exceed that average amount.

Comparison with Other States

In addition to Maryland, five states impose an inheritance tax – Iowa, Kentucky, Nebraska, New Jersey, and Pennsylvania.

History of Major Changes

1844 – Collateral inheritance tax enacted at 2.5%.

1864 – Collateral tax rate decreased to 1.5%.

1880 – Collateral tax rate increased to 2.5%.

1908 – Collateral tax rate increased to 5.0%.

1935 – Direct inheritance tax enacted at 1.0%.

– Collateral tax rate increased to 7.5%.

1975 – Collateral tax rate increased to 10.0%.

1987 – The minimum size of estates subject to inheritance taxes increased from $10,000 to $20,000 beginning July 1, 1988.

1989 – Tax on commissions of personal representatives repealed for estates of decedents dying on or after July 1, 1989.

1997 – The minimum size of estates subject to inheritance tax changed to be based on net value rather than gross value.

– Estate income exempted from the inheritance tax.

– Most property may be valued by reference to the full cash value of the property for property tax purposes.

1999 – Direct inheritance tax rate decreased to 0.9%.

– Collateral tax rate for siblings of decedents decreased to 5.0%.

2000 – For decedents dying on or after July 1, 2000, direct inheritance tax on property passing to lineal beneficiaries of a decedent repealed and collateral inheritance tax on property passing to siblings of decedents repealed.

– The minimum size of estates subject to inheritance taxes increased from $20,000 to $30,000.

2009 – Exemption for joint primary residence passing to the domestic partner of a decedent.

2012 – Exemption for property that passes to a spouse extended to same-sex spouses through the enactment of the Civil Marriage Protection Act.

– The minimum size of estates subject to inheritance taxes increased from $30,000 to $50,000.

2018 – Exemption for real property that passes to a niece or nephew if the real property is subject to a perpetual conservation easement restricting the use of the property to farming purposes.

Sections of the Maryland Annotated Code

Tax – General Article, Titles 2, 7, and 13 and Estates and Trusts Article, Title 5, Subtitle 6 and Section 7-307.

Estate Tax

Taxpayer

While the inheritance tax is imposed on the privilege of receiving property, the Maryland estate tax is imposed on the transfer of the Maryland estate of a decedent who, at the time of death, was a resident of Maryland or was a nonresident whose estate included an interest in real or tangible personal property in Maryland. If a federal estate tax return is required to be filed, the person responsible for filing the federal estate tax return is required to file the Maryland estate tax return and pay the Maryland estate tax. For decedents dying before January 1, 2004, the Maryland estate tax was imposed only if a federal estate tax return was required. For decedents dying on or after January 1, 2004, the Maryland estate tax is imposed at lower thresholds than the federal estate tax. In those instances, the person who would be responsible for filing a federal tax return if there was a federal tax liability is the person required to file the Maryland estate tax return.

Under the federal estate tax, the tax must be paid by the executor or administrator of an estate, or, if there is no executor or administrator, then by any person in actual or constructive possession of any property of a decedent. Under the Maryland estate tax, the person responsible for filing the Maryland estate tax return must pay the estate tax within nine months after the death of the decedent.

Tax Base

The tax base is the taxable value of the estate as determined under federal estate tax law, determined without regard to any deduction allowed under the federal estate tax for state death taxes paid.

Valuation of Base

The taxpayer reports the value of the taxable estate on return forms prescribed by the Comptroller from the federal estate tax return that is subject to audit.

The return is filed with the Comptroller. Each register of wills is required to certify to the Comptroller the amount of inheritance tax paid. The Maryland estate tax is paid directly to the Comptroller.

Tax Rate

The Maryland estate tax is based on the amount of the unified credit allowed against the federal estate tax, as the federal credit was in effect on December 31, 2001, before the phase-out and repeal of the federal credit for state death taxes under the federal Economic Growth and Tax Relief Reconciliation Act of 2001. Subsequent federal legislation maintained the federal estate tax while maintaining the repeal of the state death tax credit.

For decedents dying on or after January 1, 2004, but before January 1, 2015, the Maryland estate tax is imposed if the decedent’s taxable estate exceeds $1 million, regardless of whether a federal estate tax return is required. Beginning on January 1, 2015, the amount that can be excluded for Maryland estate tax purposes is increased over a five-year period until it is equal to a $5 million applicable exclusion amount for federal estate tax purposes. Due to differences in the exclusion amounts for Maryland estate tax and federal estate tax purposes (the federal exclusion amount is higher), there will continue to be instances when an estate has a Maryland tax liability but no federal tax liability. In those instances, the person who would be responsible for filing a federal tax return if there was a federal tax liability is the person required to file the Maryland return and pay the Maryland estate tax.

Since the Maryland estate tax is tied to the federal unified credit, no tax rates are specified under Maryland law. The rates of the federal credit for state death taxes paid range from 0.8% on the portion of the adjusted taxable estate from $40,000 to $90,000 to 16.0% on that portion of the adjusted taxable estate in excess of $10,040,000. For decedents dying before January 1, 2015, the Maryland estate tax may not exceed 16.0% of the amount by which the taxable estate exceeds $1,000,000. Beginning in 2015, the applicable exclusion amount was increased as follows:

- $1,500,000 for a decedent dying in 2015;
- $2,000,000 for a decedent dying in 2016;
- $3,000,000 for a decedent dying in 2017;
- $4,000,000 for a decedent dying in 2018; and
- $5,000,000 for a decedent dying on or after January 1, 2019.

Special Provisions

Unified Credit/Status of Federal Estate Tax Law

The unified credit allowed against the federal estate tax effectively exempts a portion of the taxable estate from taxation. The federal Economic Growth and Tax Relief Reconciliation Act of 2001 provided for a phased increase in the unified credit, effectively increasing the size of estates that are exempt from federal estate tax taxation. In December 2010, the federal Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act established an applicable exemption amount of $5,000,000 for 2010 and 2011 and indexed the 2012 exemption amount to inflation. Subsequent legislation, the American Taxpayer Relief Act, made the changes to the exemption amounts under the 2010 legislation permanent, resulting in a federal exemption amount that will increase each year with inflation. In 2017, the federal Tax Cuts and Jobs Act doubled the existing federal exemption amounts for decedents dying in calendar 2018 through 2025.

Notwithstanding the phased increases in the unified credit under the federal estate tax, the unified credit for Maryland estate tax purposes is limited to $345,800, the amount that effectively exempts the first $1 million of taxable estate from the Maryland estate tax for decedents dying before January 1, 2015. Chapter 612 of 2014 provided for a phased increase in the exemption amount, and Chapters 15 and 21 of 2018 set the effective Maryland exemption of $5 million for decedents dying on or after January 1, 2019.

Marital Deduction

Property that passes to a decedent's surviving spouse is exempt from the estate tax, and the amount that may pass is unlimited. For purposes of the Maryland estate tax, an estate may elect to treat property as marital deduction qualified terminal interest property in accordance with provisions of the Internal Revenue Code. The election made for Maryland estate tax purposes may be inconsistent with an election made for the same estate for federal estate tax purposes. This enables married couples to defer payment of any estate tax until the death of the surviving spouse, while making maximum use of the applicable exclusion amounts for both federal and State tax purposes available to each spouse, notwithstanding any differing unified credit amounts for federal and Maryland estate tax purposes.

In response to passage and voter approval of the Civil Marriage Protection Act in 2012, Chapters 517 and 518 of 2013 clarified that a surviving spouse of a decedent is an individual who was lawfully married to the decedent under the laws of the State. Additionally, the U.S. Supreme Court's ruling in *United States v. Windsor*, 570 U.S. 12 (2013) extended the same protections to same-sex spouses under federal estate tax law. As such, decedents may leave property to a surviving same-sex spouse without that property being subject to federal or Maryland estate tax liability.

Federal legislation in 2010 and 2012 authorized a surviving spouse to utilize any unused portion of the deceased spouse's estate tax exclusion amount. Commonly referred to as "portability", a surviving spouse may elect to claim the unused portion of the estate tax exclusion amount of the predeceased spouse, thereby providing the surviving spouse with a larger exclusion amount. This provision eliminates the need for spouses to retitle property and create trusts solely to take full advantage of each spouse's exclusion amount. This deceased spousal unused exclusion amount is available to the surviving spouse only if an election is made on a timely filed estate tax return. Any federal estate tax exemption amount that remains unused as of the death of a spouse who dies after December 31, 2010, is generally available for use by the surviving spouse as an addition to the surviving spouse's own exemption. Chapters 15 and 21 authorize portability elections to be included in determining the applicable exclusion amount of a surviving spouse's estate when determining Maryland estate tax liability for decedents dying on or after January 1, 2019. Federal portability elections will satisfy Maryland portability election criteria for predeceased spouses dying before January 1, 2019, and predeceased spouses who were not State residents.

Nonresident Decedents

The Maryland estate tax does not apply to the transfer of personal property in the estate of a nonresident decedent (excluding a transfer of tangible personal property that has a taxable situs in this State), if at the time of death the decedent is a resident of a state or foreign country whose law when the personal property is transferred (1) does not impose death taxes on the transfer of similar personal property of a resident of this State or (2) contains a reciprocal exemption from death taxes similar to this exemption.

Qualified Agricultural Property

Special estate tax rules apply for qualified agricultural property. Chapters 448 and 449 of 2012 allow up to $5 million of qualified agricultural property to be excluded from the gross estate. In addition, the Maryland estate tax imposed on qualified agricultural property included in an estate is limited to 5% of the value of the qualified agricultural property that exceeds $5 million. Qualified agricultural property is real or personal property that is used primarily for farming purposes, as defined under § 2032A(e)(5) of the Internal Revenue Code. In order to receive the special tax treatment for qualified agricultural property, the property has to pass to a qualified recipient who agrees to use the property for farming purposes after the decedent's death. If the property ceases to be used for farming purposes within 10 years of the decedent's death, the estate tax that would have been due on the property is subject to recapture.

Payment Dates

The Maryland estate tax return is due nine months from the date of death of the decedent. The Comptroller is authorized to grant an alternate payment schedule.

Administration of Tax

The Revenue Administration Division of the Comptroller of the Treasury administers the estate tax.

Fines, Penalties, and Interest

Interest on unpaid estate tax is assessed at the rate set by statute or 3% above the prime rate, whichever is greater. Interest on unpaid estate tax begins nine months after the date of the death of a decedent. Unpaid tax constitutes a lien in favor of the State.

For unpaid taxes, a penalty not exceeding 10% of the unpaid tax shall be assessed. A penalty of 25% shall be assessed for an underpayment that is attributable to a substantial estate tax valuation understatement.

A penalty not exceeding 100% of the underpayment of the tax is assessed for fraudulent returns or failing to file a return with the intent to evade payment of tax.

Local Taxing Authority

None.

Revenues

Exhibit 8.2 shows the estate tax revenue for fiscal 2004 to 2023.

Exhibit 8.2
Maryland Estate Tax Revenues
Fiscal 2004-2023 Est.
($ in Millions)

Fiscal Year	Net Revenues[1]	Percent Change
2004	$111.3	-16.3%
2005	137.5	23.5%
2006	171.5	24.7%
2007	176.6	3.0%
2008	194.5	10.1%
2009	153.4	-21.1%
2010	126.0	-17.9%
2011	160.3	27.2%
2012	145.2	-9.4%
2013	181.8	25.2%
2014	163.3	-10.2%
2015	194.7	19.2%
2016	206.9	6.3%
2017	175.0	-15.4%
2018	156.0	-10.9%
2019	116.6	–25.3%
2020	137.8	18.2%
2021	181.7	31.9%
2022 Est.	145.9	–19.7%
2023 Est.	160.0	9.6%

[1] Net of refunds but includes interest.

Source: Board of Revenue Estimates, March 2022

Distribution of Revenues

Revenues are distributed to the General Fund.

Trends

Estate tax revenue collections fluctuate due to their dependence on estate value, type of distribution, and economic conditions. As real estate and retirement savings typically constitute a significant portion of taxable estates, the growth and decline of property values and retirement savings can have an effect on estate tax revenues. After growing dramatically from fiscal 2000 through 2008, revenues declined significantly for fiscal 2009 and 2010. Revenues alternated each year between growth and decline from fiscal 2011 through 2014. Revenue since fiscal 2016 has mostly trended downward as the exemption amount increased over time to $5 million for decedents dying on or after January 1, 2019. Future estate tax revenues are difficult to predict.

Comparison with Other States

In addition to Maryland, 11 states and the District of Columbia impose an estate tax for decedents dying in 2022.

History of Major Changes

1929 – Maryland estate tax enacted equal to the allowable maximum federal credit for state death taxes.

1977 – Unified credit established by federal government.

1981 – Federal Economic Recovery Act set the value of the estates for which there is no estate tax.

1987 – Penalty for late payment of tax imposed.

1989 – Due date of the Maryland estate tax return reduced from 15 to 9 months from date of death.

1997 – With the permission of the taxpayer, the Comptroller of Maryland and the registers of wills can transfer adjustments for refunds between estate and inheritance taxes.

2002 – The federal 2001 Tax Act phased out and repealed the federal credit for state death tax; increased and phased up the unified credit and provided for repeal of federal estate tax by calendar 2010; Maryland estate tax partially decoupled from these federal changes, maintaining the Maryland estate tax notwithstanding the repeal of the federal credit or the repeal of the federal estate tax but remaining coupled to scheduled federal unified credit increases.

2004 – Unified credit for Maryland estate tax purposes set at amount effectively exempting taxable estates of $1 million or less, decoupling from scheduled federal increases in the unified credit.

2006 – Maryland estate tax clarified to reflect the partial decoupling of the tax from the federal estate tax; expressly allowed estates to make inconsistent elections for federal and State estate tax purposes regarding marital deduction qualified terminal interest property; and limited Maryland estate tax to 16% of the amount by which a taxable estate exceeds $1 million.

2009 – Estate tax returns authorized to be filed with either the Comptroller or the register of wills.

2012 – Up to $5 million of qualified agricultural property may be excluded from the gross estate, and the Maryland estate tax imposed on qualified agricultural property included in an estate is limited to 5% of the value of the qualified agricultural property that exceeds $5 million.

2013 – Estate tax clarified so that a surviving spouse of a decedent is an individual who was lawfully married to the decedent under the laws of the State, pursuant to passage and voter approval of the Civil Marriage Protection Act.

2014 – Unified credit for Maryland estate tax purposes increases beginning in 2015, recoupling to the federal unified credit for decedents dying on or after January 1, 2019.

2017 – Federal Tax Cuts and Jobs Act doubles the federal exemption amount for 2018 through 2025.

2018 – Unified credit for Maryland estate tax purposes set at $5 million for decedents dying on or after January 1, 2019.

Sections of the Maryland Annotated Code

Tax – General Article, Titles 2, 7, and 13.

Chapter 9. Miscellaneous Taxes

Excise Tax on Vessels

Taxpayer

Persons purchasing a new or used vessel within Maryland to be titled and numbered in the State; persons possessing within Maryland a vessel purchased outside of Maryland to be used principally in Maryland are also required to pay an excise tax on these vessels.

Licensed boat dealers must collect the excise tax on all sales of vessels to be titled and numbered in Maryland and on all sales of vessels within the State to be federally documented and principally used in Maryland.

Tax Base

The tax base is the gross purchase price or fair market value of the vessel with a deduction for the value of a trade-in. The gross purchase price, verified by a certified bill of sale, includes the boat, motor, accessories, freight, and make-ready charges. The fair market value is determined by means of a national publication of used vessel values (specifically, the Used Boat Price Guide). A minimum value of $100 applies to all sales.

Valuation of Base

Documentation supporting the value of the vessel and attached to the application for boat certificates or validation emblems substantiating the value must be submitted to the Department of Natural Resources.

Tax Rate

The tax rate is 5%, not to exceed $15,000 for any vessel titled after July 1, 2013. Effective July 1, 2016, and each July 1 thereafter, this maximum is increased by $100 each year. The maximum is $15,700 as of July 1, 2022.

Special Provisions

Exemptions

The excise tax on vessels does not apply under specified circumstances, including:

- vessel sales to the U.S. government, State agencies, and local subdivisions;
- vessel sales to charitable organizations;
- transfers between members of an immediate family; and
- sales to licensed boat dealers for resale, rental, or lease.

Credit for Collections

The dealer may retain 1.2% of the gross tax amount collected provided that the dealer forwards the tax to the Department of Natural Resources within 30 days of the date of sale.

Refunds

As determined by the department, an overpayment of the excise tax may be refunded.

Payment Dates

Payment is due within 30 days of the sale of the vessel or within 30 days of the date a vessel purchased out-of-state is brought into the State for principal use in Maryland.

Administration of Tax

The Licensing and Registration Services unit of the Department of Natural Resources administers the tax.

Fines, Penalties, and Interest

A 10.0% penalty is assessed against taxes that remain unpaid after 30 days, and interest at the rate of 1.5% per month accrues until the tax and penalty are paid.

Local Taxing Authority

None.

Revenues

The vessel excise tax revenues from fiscal 2004 through 2022 are shown in **Exhibit 9.1**.

Exhibit 9.1
Maryland Vessel Excise Tax Revenues
Fiscal 2004-2022
($ in Millions)

Fiscal Year	Net Revenues[1]	% Change
2004	$30.5	-12.5%
2005	30.9	1.3%
2006	29.9	-3.2%
2007	27.0	-9.7%
2008	25.1	-7.0%
2009	16.8	-33.1%
2010	15.0	-10.7%
2011	14.9	-0.7%
2012	13.5	-9.4%
2013	15.2	12.6%
2014[2]	15.6	2.6%
2015	16.6	6.4%
2016	17.8	7.2%
2017	18.9	6.2%
2018	23.2	22.8%
2019	24.6	6.0%
2020	21.9	-11.0%
2021	37.3	70.3%
2022	36.8	-1.3%

[1] Net of refunds.
[2] Vessel excise tax cap of $15,000 per vessel implemented effective from July 1, 2013. Effective July 1, 2016, the cap is increased by $100 each year.

Source: Department of Natural Resources

Distribution of Revenues

Vessel excise tax revenues are credited to the Waterway Improvement Fund. The fund may incur expenditures for the following purposes:

- marking channels and harbors and establishing aids to navigation;
- clearing debris, aquatic vegetation, and obstruction from State waters;
- dredging channels and harbors and construction of jetties and breakwaters;
- dredging State ponds, lakes, and reservoirs;
- constructing marine facilities beneficial to the boating public;
- improving, reconstructing, or removing bridges over waters, if those structures impede the boating public;
- evaluating water-oriented recreation needs and recreational capacities of waterways and developing comprehensive plans for waterway improvements;
- providing matching grants to local governments for the construction of marine facilities that promote the safety of life and property;
- providing funding for structural and nonstructural shore erosion control projects, under specified circumstances;
- acquiring equipment and State vessels for firefighting, policing, first aid and medical assistance, and communications, in order to promote safety of life and property and general service to the boating public utilizing State waters;
- promoting boat safety and education; and
- providing interest-free loans to a governing body for the benefit of residential property owners with land abutting a channel adjacent to governmental channels or harbors for dredging the adjacent channel.

Trends

Until 2008, the vessel excise tax, which is imposed in lieu of the sales and use tax, had generally been maintained at the same rate as the general sales and use tax rate. Effective January 3, 2008, the sales and use tax rate increased to 6%, but the vessel excise tax rate remained at 5%. Beginning in fiscal 2007, excise tax revenues began to decline; fiscal 2009 revenues declined by approximately 49% due to the national economic downturn. With the exception of a decline in fiscal 2012, revenues have steadily increased in recent years despite the vessel excise tax cap. The increase in vessel excise tax revenue beginning in fiscal 2021 is primarily attributable to an increase in boat sales during the COVID-19 pandemic.

History of Major Changes

1965 – Tax first imposed on vessels at the rate of 3%.

1973 – Tax increased to 4%.

1977 – Tax increased to 5%.

1986 – Sales and use tax on vessel sales repealed for sales subject to payment of excise tax on vessels to the Department of Natural Resources (*i.e.*, consolidated the authority for the collection of the tax within the Department of Natural Resources).

1998 – The gross purchase price of a vessel can be reduced by the value of a trade-in for purposes of calculating the tax.

2013 – Vessel excise tax cap of $15,000 per vessel implemented from July 1, 2013, until June 30, 2016.

2016 – Vessel excise tax cap of $15,000 made permanent, except that the cap is increased by $100 on July 1, 2016, and each July 1 thereafter.

Sections of the Maryland Annotated Code

Natural Resources Article, Title 8, Subtitle 7

Horse Racing Taxes

Taxpayer

Any licensed person, association, or corporation conducting racing within the State must pay horse racing taxes.

Tax Base

Each racing association pays to the Maryland Racing Commission a tax at the rate specified further in this chapter on the total amount of money wagered on all races for each day of racing.

Valuation of Base

The amount wagered on races (*i.e.*, the handle) is reported on forms provided by the Maryland Racing Commission.

Tax Rates

Exhibit 9.2 shows the current horse racing wagering taxes.

Exhibit 9.2
Horse Racing Wagering Taxes

Track	Tax Rate on Money Wagered
Thoroughbred Mile: Laurel, Pimlico	0.32% of amount bet
Thoroughbred Half-mile: Timonium	3.5% of amount bet but no tax during the Maryland State Fair (racing has taken place only during the Maryland State Fair since 1985; therefore, no State tax has been paid since then)
Harness: Rosecroft, Ocean Downs	0.32% of amount bet
Steeplechase: Fair Hill	36% of the amount the licensee is authorized to deduct from the amount bet (excluding the breakage)

Source: Maryland Racing Commission; Department of Legislative Services

Special Provisions

Maryland-Bred Race Fund

The Maryland-Bred Race Fund (thoroughbred) consists of revenues generated from 5% of the breakage (the odd cents left over after paying the successful bettors to the nearest $0.10) plus a percentage of the amounts wagered, as shown in **Exhibit 9.3**.

Exhibit 9.3
Maryland-Bred Fund Distribution

Track	% of Amount Wagered
Thoroughbred Mile	1.1%
Thoroughbred Half-mile	1.5%

Source: Maryland Racing Commission; Department of Legislative Services

The fund is administered by the Maryland Racing Commission in the Maryland Department of Labor, with the assistance of an advisory committee. The fund supports the Maryland-Bred Race Program.

Maryland Standardbred Race Fund

The Maryland Standardbred Race Fund consists of revenues from the following sources:

- 50% of the breakage if the average handle exceeds $150,000;
- nomination, sustaining, declaration, and stallion registration fees; and
- a percentage of a licensee's takeout share, based on the average handle and the type of pool as follows:
  - if average handle is over $600,000:
    - on the first $125,000 of the average handle:
      - 0.5% of single and two horse multiple bets; and
      - 1.0% of three or more horse multiple bets;
    - on the rest of the average handle:
      - 1.0% of single and two horse multiple bets; and
      - 1.5% of three or more horse multiple bets;
  - if the average handle is between $150,000 and $600,000:
    - on the first $125,000 of the average handle:

    - 0.5% of single and two horse multiple bets; and
    - 1.0% of three or more horse multiple bets;

- on the rest of the average handle:
    - 1.0% of single and two horse multiple bets; and
    - 1.5% of three or more horse multiple bets;
- if the average handle is $150,000 or less:
    - 0.5% of single and two horse multiple bets; and
    - 1.0% of three or more horse multiple bets.

The fund is administered by the Maryland Racing Commission, with the assistance of an advisory committee. The fund supports two programs – the Foaled Stakes Program and the Sires Stakes Program.

Payment Dates

Thoroughbred licensees must pay to the Maryland Racing Commission the tax due within 10 days after each day of racing.

The standardbred licensees must estimate the tax on money wagered due to the State each day. The first payment is due 33 days after the start of the meeting and includes the estimated tax for the first 30 days. Thereafter, the tax for any day must be paid to the commission no later than 72 hours after the close of racing for that day, and the total tax due for the meeting must be paid within 5 days of the close of the meeting.

Administration of Tax

Administration/Collection Responsibility

The Maryland Racing Commission is responsible for the administration and collection of the taxes. Revenues are turned over to the Comptroller of the Treasury for distribution.

Local Taxing Authority

None.

Revenues

Maryland horse racing revenues are generated from several sources, including taxes on betting and certain license fees. **Exhibit 9.4** shows the revenues from these sources from fiscal 2004 through 2022. Changes in occupational license fees after 2016 are attributable to the Administration's reduction and elimination of fees across State agencies, including occupational license fees for horse owners, trainers, jockeys, and others in the horse racing industry.

Exhibit 9.4

Maryland Horse Racing Revenues from Betting Taxes and Licenses

Fiscal 2004-2022 Est.

Year	Betting Taxes	Track License Fees	Occupational Licenses	Total	% Change
2004	$1,628,038	$29,825	$246,472	$1,904,335	-4.4%
2005	1,557,962	30,200	257,704	1,845,866	-3.1%
2006	1,677,321	31,000	278,474	1,986,795	7.6%
2007	1,652,744	26,375	263,216	1,942,335	-2.2%
2008	1,483,089	29,675	236,305	1,749,069	-10.0%
2009	1,224,436	26,993	350,000	1,601,429	-8.4%
2010	1,489,072	29,675	322,702	1,841,449	15.0%
2011	907,639	21,200	196,774	1,125,613	-38.9%
2012	924,032	26,375	235,276	1,185,683	5.3%
2013	838,869	29,775	234,800	1,103,444	-6.9%
2014	806,169	27,800	233,417	1,067,386	-3.3%
2015	761,864	27,400	252,732	1,041,996	-2.4%
2016	828,759	31,275	266,119	1,126,153	8.1%
2017	815,648	30,050	83,850	929,548	-17.5%
2018	820,367	30,050	0	850,417	-8.5%
2019	802,590	30,650	0	833,240	-2.0%
2020	711,254	24,800	0	736,054	-11.7%
2021	870,932	36,250	0	907,182	23.2%
2022 Est.	868,775	28,050	0	896,825	-1.1%

Source: Maryland Racing Commission

Distribution of Revenues

Horse Racing Special Fund

Revenues from the taxes and license fees, as well as other horse racing revenues, are credited to a special fund. The Comptroller makes the following distributions from the fund:

- $825,000 to the Maryland Agricultural Fair Board (for promotion of fairs and exhibits);
- $500,000 for the Maryland Million and $350,000 for the Sire Stakes Program;
- for as long as the Maryland State Fair remains at the Timonium Fairgrounds:
  - $500,000 to the Maryland State Fair and Agricultural Society, Inc. (for promotion and enhancement of the fair); and
  - $50,000 to Baltimore County (to replace former revenues);
- $100,000 to Prince George's County (to replace former revenues from the admissions and amusement tax);
- $40,000 to the Great Frederick Fair to support exhibition harness races;
- $75,000 to the Maryland Agricultural Education Foundation;
- $20,000 to the Great Pocomoke Fair;
- up to $500,000 for the Maryland International Thoroughbred Race; and
- local impact aid.

Local Impact Aid

To assist services and facilities for communities within two miles of the Pimlico Race Course and three miles of the Laurel Park racetrack, there is impact aid for live racing. In addition, for each day wagering is conducted at a track where live racing is not held, there is impact aid provided for simulcast wagering. Lastly, the Racing and Community Development Act (Chapter 590 of 2020), in relevant part, required the conveyance of the Bowie Training Center to the city of Bowie by December 31, 2023. Until the required conveyance, the owner of the Bowie Training Center must operate the center as a thoroughbred training facility. For each day that training facilities are open at the center, Bowie receives $50 (364 days estimated).

In recent years, revenues from the horse racing special fund have been insufficient to fulfill the expected local impact aid allocation to each jurisdiction and to the other mandated uses, mainly due to a reduction in racing days. In any fiscal year that revenues to the special fund are not sufficient to fully fund local impact aid, the Comptroller must proportionately reduce the amount of grants required to be paid.

In fiscal 2015 through 2032, $500,000 in local impact aid from video lottery terminal proceeds will be distributed as horse racing impact aid to Anne Arundel County, Howard County, and Laurel to help pay for facilities and services in communities within three miles of the Laurel Park racetrack.

Other Distributions

Thirty-six percent of the amount deducted from the total amount wagered (up to 25%, excluding the breakage) at the steeplechase races at Fair Hill International is paid to the Maryland Racing Commission, which distributes the revenues to the Fair Hill Improvement Fund.

Remaining special fund revenues are distributed to the Maryland Agricultural Education and Rural Development Assistance Fund, Maryland-Bred Race Fund, and the Maryland Standardbred Race Fund but only in years in which revenues to the horse racing special fund are sufficient to fund all local impact aid grants.

History of Major Changes

1920 – Local laws controlling racing repealed, State control established, and the Maryland Racing Commission is created.

1933 – State tax on racing imposed at 1.0% on betting at mile tracks.

1937 – State tax imposed on half-mile tracks at 1.0% of betting over $500,000, plus 5.0% on net revenues from racing.

– State tax imposed at 1.0% on betting at harness tracks.

1946 – A schedule of distribution of State revenues from racing established to divide the revenues with the counties and municipalities.

1985 – Major racetrack legislation enacted that effectively eliminated most State tax revenues from racing.

1988 – Authorized intertrack wagering between mile thoroughbred tracks.

– Authorized certain thoroughbred tracks to conduct wagering on races simulcast from tracks outside of Maryland if the simulcast race is of national or local significance with a purse in excess of $50,000.

1990 – Authorized harness racetracks to conduct intertrack wagering between themselves and broadened intertrack wagering between the thoroughbred track in Laurel and harness tracks.

– All uncashed parimutuel tickets from harness tracks are payable to the Maryland Standardbred Fund Sire Stakes Program.

1992 – Off-track betting authorized and requirements for simulcast racing repealed.

1997 – State wagering tax rate reduced to 0.32% until May 31, 1998.

1998 – State wagering tax rate reduction to 0.32% extended until June 30, 1999, and, for fiscal 1998 and 1999, monies remaining in the special fund at the end of the year are to be distributed to the bred funds rather than the General Fund.

1999 – State wagering tax rate reduction to 0.32% extended until June 30, 2000, and, for fiscal 1999 and 2000, monies remaining in the special fund at the end of the year are to be distributed to the bred funds rather than the General Fund.

2000 – State wagering tax rate reduction to 0.32% extended permanently.

2005 – Altered the distribution of excess funds from the Racing Special Fund to distribute any available funds to the Maryland Agricultural Education and Rural Development Assistance Fund, the Maryland-Bred Race Fund, and the Maryland Standardbred Race Fund.

2007 – Repealed statutory restrictions on (1) night thoroughbred racing; (2) thoroughbred racing on Sundays; and (3) Sunday races held by the Maryland State Fair and Agricultural Society, other than at the Maryland State Fair.

– *Provides, subject to certain conditions, for the distribution of proceeds from video lottery terminals to the horse racing industry, including 7.0% of gross revenue to a purse dedication account to enhance horse racing purse and bred funds, not to exceed $100 million annually, and 2.5% for an eight-year period to a Racetrack Facility Renewal Account, not to exceed $40 million annually.

2010 – Contingent upon the purchase of the Rocky Gap Lodge and Golf Resort by a video lottery operation licensee, the 2.5% of video lottery terminal proceeds from the Allegany County facility that would otherwise be distributed to the Racetrack Facility Renewal Account will instead be distributed to the licensee for the Allegany County facility, for the first 5 years of operations (extended to the first 10 years of operations in 2011). In addition, the thoroughbred racing license authorized for a track in Allegany County would be repealed.

2011 – Distributed up to $1.2 million from the Purse Dedication Account to Ocean Downs Race Course and Rosecroft Raceway for operating assistance for calendar 2012.

2012 – Extended $1.2 million annual operating assistance distribution through calendar 2015.

– Extended the time period from 3 to 10 days within which mile thoroughbred licensees who operate a sending track must pay parimutuel racing taxes and local impact aid to the Maryland Racing Commission after each day of intertrack betting on thoroughbred racing at a receiving track.

– Authorized the Maryland Racing Commission to allocate a portion, rather than up to 5%, of the Maryland-Bred Race Fund to races that are restricted to horses that are conceived, but not necessarily foaled, in Maryland.

– Required the Maryland Racing Commission to set the amount of specified breeder awards for races both in the State and outside the State.

– *Reduced from 2.5% to 1.75% the distribution of proceeds from video lottery terminals to the Racetrack Facility Renewal Account.

2013 – Authorized a racetrack licensee to offer specific wagers under regulations adopted by the Maryland Racing Commission, and from these wagers a licensee is required to deduct specified amounts from the handle.

– Required the Comptroller, in any fiscal year that revenues to the horse racing special fund are not sufficient to fully fund local impact aid, to proportionately reduce the amount of grants required to be paid. Furthermore, required the Comptroller only to pay grants to the Maryland-Bred Race Fund, the Maryland Standardbred Race Fund, and the Maryland Agricultural Education and Rural Development Assistance Fund in years that revenues to the horse racing special fund are sufficient to fund all local impact aid grants.

2014 – $500,000 in local impact aid from video lottery terminal proceeds in fiscal 2015 through 2019 will be distributed as horse racing impact aid to Anne Arundel County, Howard County, and Laurel to help pay for facilities and services in communities within three miles of Laurel Park racetrack.

– *Upon the opening of the video lottery facility in Baltimore City, reduced from 1.75% to 1% the distribution of proceeds from video lottery terminals to the Racetrack Facility Renewal Account, not to exceed $20 million annually.

2015 – Extended $1.2 million annual operating assistance through calendar 2019.

2016 – $500,000 required to be distributed in fiscal 2017 from the horse racing special fund to the Maryland Racing Commission for a bonus award program for Maryland-bred or Maryland-sired horses running in the Preakness Stakes.

– $1,000,000 of State lottery revenues required to be distributed in fiscal 2018 and 2019 from the horse racing special fund to the Maryland International Thoroughbred Race ($500,000), the Maryland Office of Sports Marketing ($350,000), and the Maryland Humanities Council ($150,000).

– *Upon the opening of the video lottery facility in Prince George's County, reduced from 7% to 6% the distribution of proceeds from video lottery terminals to the Purse Dedication Account.

2018 – Extended $500,000 distribution of horse racing impact aid to Anne Arundel County, Howard County, and Laurel through fiscal 2032.

– $500,000 annual distribution of State lottery revenues from the horse racing special fund to the Maryland International Thoroughbred Race extended permanently.

– Extended $1.2 million annual operating assistance distribution through calendar 2024.

2020 – Legislation enacted that in relevant part (1) authorized the Maryland Stadium Authority to issue up to $375 million in 30-year bonds to finance the redevelopment of Pimlico and Laurel Park; (2) established the Racing and Community Development Financing Fund, funded primarily by bond issuance proceeds and money transferred from the State Lottery Fund; (3) established the Racing and Community Development Facilities Fund, funded primarily by one-time fund transfers from thoroughbred racing's share of the Purse Dedication Account and Racetrack Facility Renewal Account; (4) beginning fiscal 2022, required the transfer of funds allocated to thoroughbred racing from the Purse Dedication Account ($5 million) and the Racetrack Facility Renewal Account (80% of total funds) to the State Lottery Fund; (5) redirected specified amounts in certain fiscal years from Rosecroft Raceway's Racetrack Facility Renewal Account allocation and the Pimlico Community Development Authority's share of local impact aid from video lottery terminal proceeds; and (6) required the owner of the Bowie Race Course Training Center to convey the training center to the city of Bowie by December 31, 2023.

* Special session.

Sections of the Maryland Annotated Code

Business Regulation Article, Title 11

Boxing and Wrestling Tax

Taxpayer

Boxing and wrestling promoters who conduct professional boxing, kickboxing, and wrestling events, as well as mixed martial arts events in Maryland, are required to pay the boxing and wrestling tax. The tax must also be paid by promoters who promote closed-circuit boxing, wrestling, kickboxing, and mixed martial arts events and organizations that offer boxing, wrestling, kickboxing, and mixed martial arts events on a pay-per-view basis.

Tax Base

The tax base consists of the gross receipts from (1) admission charges for live or closed-circuit boxing, kickboxing, wrestling, or mixed martial arts events and (2) charges to view boxing, kickboxing, wrestling, or mixed martial arts events on a pay-per-view basis.

Valuation of Base

The valuation of the base is as reported by the taxpayer on returns filed with the Comptroller of the Treasury.

Tax Rate

The tax rate is the greater of 10% of the gross receipts or $200 for charges for admission to a boxing, wrestling, or mixed martial arts contest, or for the sale of broadcast rights to a boxing, wrestling, or mixed martial arts contest.

For contests conducted by the Maryland National Guard or a post of the Veterans of Foreign Wars or the American Legion in Allegany County, the rate is 5% of the gross receipts for charges for admission to a boxing or wrestling contest.

If gross receipts from charges to view a telecast of boxing, kickboxing, wrestling, or mixed martial arts are subject to the sales and use tax, the boxing and wrestling tax rate is reduced by the amount of the sales and use tax so that the total tax rate does not exceed 10%.

Exemptions

The tax does not apply to an intercollegiate, interscholastic, or intramural boxing contest held on the campus or under the auspices of a college, high school, or university in the State, or an amateur boxing or wrestling contest held under the auspices of the USA Amateur Boxing Federation or the Young Men's Christian Association.

Payment Dates

Taxpayers must file a return by the tenth day of the month following the month in which the person has gross receipts subject to the boxing and wrestling tax. The return must be filed with the Comptroller of the Treasury and be accompanied by any payment due.

Administration of Tax

The boxing and wrestling tax is administered by the Comptroller of the Treasury. Collections are handled by the Revenue Administration Division, while the Compliance Division enforces the tax.

Fines, Penalties, and Interest

For unpaid taxes, a penalty not exceeding 10% of the unpaid tax shall be assessed.

Interest on unpaid taxes is assessed at the rate set by statute, or 3% above prime rate, whichever is greater.

Local Taxing Authority

None.

Revenues

Boxing and wrestling tax revenues from fiscal 2004 through 2023 are shown in **Exhibit 9.5**.

Exhibit 9.5
Boxing and Wrestling Tax Revenues
Fiscal 2004-2023 Est.

Fiscal Year	Tax Revenues	% Change
2004	$418,295	-6.0%
2005	319,903	-23.5%
2006	407,996	27.5%
2007	555,915	36.3%
2008	405,724	-27.0%
2009	288,357	-29.0%
2010	967,108	235.4%
2011	439,675	-54.5%
2012	476,199	8.3%
2013	429,267	-9.9%
2014	757,024	76.4%
2015	502,961	-33.6%
2016	368,052	-26.8%
2017	344,382	-6.4%
2018	661,000	91.9%
2019	390,000	-41.0%
2020	352,000	-9.7%
2021	112,000	-62.8%
2022	209,000	86.6%
2023 Est.	209,000	0.0%

Source: Comptroller of the Treasury

Distribution of Revenues

All tax revenues, interest, and penalties are credited to the General Fund.

Trends

In the late 1980s, boxing, kickboxing, and wrestling promoters discovered the pay-per-view technology of cable and satellite television services. The explosion of pay-per-view programming of these events replaced live events and is currently the primary source of the boxing and wrestling tax. Revenues declined significantly in fiscal 2008, 2009, and 2016, but experienced a huge jump in fiscal 2010 and 2014 due to a single mixed martial arts event in Baltimore in each of those years. While revenues increased significantly in fiscal 2018 due to a surge of new venues and events, fiscal 2022 and 2023 revenues are expected to be almost 70% lower than in fiscal 2018.

History of Major Changes

1920 – Commission was created and granted authority to administer the boxing and wrestling tax.

– The tax was established as 10% of the gross receipts from tickets sold to boxing and wrestling events.

1951 – Commission granted legislative authority to collect 10% of the gross receipts from the sale of television, radio, or motion picture rights to boxing and wrestling events.

1961 – Taxing authority extended to apply to closed-circuit or subscription television.

1984 – Taxing authority extended to boxing and wrestling events shown on a pay-per-view or pay-per-occasion basis through any medium.

1989 – Repeal of tax on broadcast rights to a boxing or wrestling contest.

1993 – Tax rate on pay-per-view events adjusted by reducing the 10% boxing and wrestling tax rate by the sales and use tax rate applied to the event (10% maximum tax rate per event).

– Boxing and wrestling tax applied to the gross receipts derived from kickboxing events.

1994 – Administration of the boxing and wrestling tax transferred from the State Athletic Commission to the Comptroller of the Treasury.

2008 – Mixed martial arts events subjected to regulation and licensure by the State Athletic Commission; licensees are subject to the boxing and wrestling tax.

Sections of the Maryland Annotated Code

Tax – General Article, Titles 2, 6, and 13

Chapter 10. Transportation Revenues

Description of the Transportation Trust Fund

The Transportation Trust Fund was created in 1971 as a dedicated fund to pay for the activities of the Maryland Department of Transportation. All department expenditures are made through the Transportation Trust Fund and may be used for any lawful purpose related to the exercise of the department's rights, powers, duties, and obligations subject to the appropriation limits approved within the annual State budget. In recent years, Transportation Trust Fund expenditures have been supported by nontransportation revenues. Examples of this include the use of general funds to support the dedicated capital grant to the Washington Metropolitan Area Transit Authority and the use of general funds and general obligation bonds to cover a portion of the costs for the Howard Street Tunnel project in Baltimore City.

A portion of the revenues credited to the Transportation Trust Fund is shared with local governments and other State agencies. The department's funds are allocated by the Secretary of Transportation and approved by the Governor and the General Assembly.

All or part of the following revenues are used to fund the Transportation Trust Fund:

- motor fuel tax revenues;
- motor vehicle excise (titling) tax revenues;
- motor vehicle registration, license, and other fees;
- corporate income tax revenues;
- a portion of sales and use tax revenues from short-term motor vehicle rentals;
- bus and rail fares;
- fees from the Port Administration and Aviation Administration;
- federal funds;
- bond proceeds; and
- other miscellaneous sources.

Unspent funds at the close of each fiscal year remain in the Transportation Trust Fund and do not revert to the General Fund.

Sources and Distribution of Transportation Revenues

Motor fuel tax and titling tax receipts are the largest State revenue sources for the Transportation Trust Fund. Together, these two sources account for almost 40% of fiscal 2023 estimated revenues. Federal funds, including COVID-19 relief/stimulus funds, constitute 30.8% of fiscal 2023 trust fund revenues. Federal funds are used to support highway and transit programs and projects, as well as other transportation programs.

Exhibit 10.1 illustrates the estimated contribution of each revenue source in fiscal 2023.

Exhibit 10.1
Transportation Trust Fund Revenue Estimates
Fiscal 2023
($ in Millions)

Source	Revenues	Percent of Total
Motor Fuel Tax*	$1,209	21.5%
Titling Tax	1,031	18.4%
Registration Fees	416	7.4%
Miscellaneous MVA Fees	293	5.2%
Corporate Income Tax	281	5.0%
Rental Car Sales and Use Tax	28	0.5%
Operating Revenues	412	7.3%
Federal Funds	1,730	30.8%
Transfers In/(Out)	167	3.0%
Other Revenues	53	0.9%
Total	**$5,620**	**100.0%**

MVA: Motor Vehicle Administration

* Includes revenue from the wholesale rate tax and the excise tax.

Source: *Fiscal 2023 State Budget Books*

Historically, a portion of Transportation Trust Fund revenues has been allocated to local jurisdictions by way of the Gasoline and Motor Vehicle Revenue Account in the Transportation Trust Fund that consists of portions of the motor fuel, titling, and corporate income taxes; a portion of the sales and use tax on short-term vehicle rentals; and registration fees. Funds credited to this account are commonly referred to as highway user revenues. These revenues were distributed to Baltimore City, the counties, and municipalities to assist in the development and maintenance of local transportation projects. Prior to fiscal 2009, highway user revenues were divided between the department (70.0%) and Baltimore City and local jurisdictions (30.0%). In response to budget constraints resulting from the Great Recession, however, the distribution of highway user revenues was altered several times to increase funds available to the General Fund and to the Maryland Department of Transportation.

From fiscal 2014 to 2019, the statutory formula allocated 90.4% to the department, 7.7% to Baltimore City, 1.5% to counties, and 0.4% to municipalities. Chapters 330 and 331 of 2018 converted this transportation aid to local jurisdictions from a share of the revenues in the Gasoline and Motor Vehicle Revenue Account to mandated capital grants with levels set as a percentage of total revenues credited to that account. Chapters 330 and 331 also increased percentages distributed to local jurisdictions for a five-year period beginning in fiscal 2020. Under Chapters 330 and 331, the local share would have reverted to 9.6%, but Chapter 240 of 2022 provided for increased local percentages through fiscal 2027 and set the new base local percentage at 15.6% for fiscal 2028 and beyond.

Exhibit 10.2 shows the percentages used for distribution of highway user revenues for fiscal 2023 through 2028. In fiscal 2023, the department's 86.5% share equated to an estimated $1.8 billion, and the 13.5% local share equated to $276.5 million. Of the local share for fiscal 2023, Baltimore City received $170.0 million, counties received $65.5 million, and municipalities received $41.0 million. Further information on the distribution of highway user revenues is provided in *Volume VI – Maryland Local Government*.

Exhibit 10.2
Highway User Revenue Distribution Percentages
Fiscal 2023-2028

	2023	2024	2025	2026-2027	2028
Baltimore City	8.3%	9.5%	11.0%	12.2%	9.5%
Counties	3.2%	3.7%	4.3%	4.8%	3.7%
Municipalities	2.0%	2.4%	2.7%	3.0%	2.4%
Subtotal – Local Share	***13.5%***	***15.6%***	***18.0%***	***20.0%***	***15.6%***
MDOT	86.5%	84.4%	82.0%	80.0%	84.4%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

MDOT: Maryland Department of Transportation

Source: Department of Legislative Services

Motor Fuel Tax and Motor Carrier Tax

Taxpayer

Motor Fuel Tax

The following persons are subject to the motor fuel tax:

- licensed dealers that import gasoline or aviation fuel into Maryland or purchase such fuel in Maryland for sale or redistribution at wholesale (under certain conditions);
- licensed special fuel sellers that sell any special fuel on which the motor fuel tax has not been paid; and
- licensed special fuel users that purchase special fuel for use in a motor vehicle.

Motor Carrier Tax

The motor carrier tax is imposed on each motor carrier who operates or causes the operation of a commercial motor vehicle on a highway in the State. A commercial motor vehicle is defined as any motor vehicle used or maintained for the transportation of persons or property that:

- has two axles and an operating or registered gross vehicle weight in excess of 26,000 pounds;

- has three or more axles; or

- is used in combination with another vehicle and has an operating or registered gross vehicle weight in excess of 26,000 pounds.

Tax Base

Motor Fuel Tax

The motor fuel tax is based on the gallons of fuel purchased plus or minus adjustments (stock loss or gain, temperature adjustments) or fuel consumed less an allowable cost of collection.

Motor Carrier Tax

The motor carrier tax is based on the gallons of fuel used in the operation of a commercial motor vehicle on a highway in the State. In accordance with the International Fuel Tax Agreement, interstate motor carriers pay taxes based on taxable miles traveled in each state or province.

Valuation of Base

All entities subject to the motor fuel tax or the motor carrier tax must file a report with the Motor Fuel Tax Division of the Comptroller of the Treasury. Motor fuel tax reports that record gallons of fuel sold are filed monthly. Motor carrier tax reports that record miles traveled on Maryland highways are filed quarterly. All reports are subject to audit.

Tax Rates

Motor Fuel Tax – Base Rate

The motor fuel tax rate for aviation and turbine fuel is 7 cents per gallon and does not increase based on an index. The base tax rates for gasoline, clean burning fuels except electricity, and special fuels (*e.g.*, diesel) may increase each year based on the change in the Consumer Price Index. In addition to the base rates, a sales and use tax equivalent rate is applied to these fuels as discussed below. As of July 1, 2022, the base rate fuel tax is imposed as follows:

- 28.90 cents per gallon for gasoline and clean-burning fuels, except electricity; and

- 29.65 cents per gallon for all other special fuels (*e.g.*, diesel).

These tax rates apply to all dealers, special fuel users and sellers, and motor carriers. A federal excise tax of 18.4 cents per gallon on gasoline and 24.4 cents per gallon on diesel fuel is also imposed.

Consumer Price Index Calculation

On or before June 1 of each year, the Comptroller must calculate and announce the growth in the Consumer Price Index and the motor fuel tax rates effective for the fiscal year beginning on the following July 1. The percentage of growth will be determined by averaging the Consumer Price Index for the 12 months preceding April 30 to the average index for the prior 12 months. This rate is multiplied by the current motor fuel tax rate to determine the increase in the motor fuel tax. The motor fuel tax increase cannot be greater than 8% of the motor fuel tax rate effective in the previous year. If there is a decrease or no growth in the Consumer Price Index, the motor fuel tax will remain the same.

Sales and Use Tax Equivalent Rate

Maryland has imposed a sales and use tax equivalent rate on motor fuel since 2013. The current rate is based on the average annual retail price of regular unleaded gasoline, excluding federal and State taxes, multiplied by 5%.

The average annual retail price is determined by the Comptroller based on prices reported during the 12 months ending on the last day of the second immediately preceding month. The sales and use tax equivalent rate is added to the base rate to determine the effective rate.

Exhibit 10.3 shows the components of the fuel tax rates effective July 1 for 2019 through 2022.

Exhibit 10.3
Motor Fuel Tax Rate Components
Applicable for July 1, 2019, through July 1, 2022
(Numbers in Cents)

Effective July 1	Consumer Price Index Adjustment	Base Rate*	Sales and Use Tax Equivalent Rate	Combined Applicable Tax Rate
Gasoline/Clean Burning				
2019	0.6	26.2	10.5	36.7
2020	0.5	26.7	9.6	36.3
2021	0.4	27.1	9.0	36.1
2022	1.8	28.9	13.8	42.7
Special Fuel/Diesel				
2019	0.6	27.0	10.5	37.5
2020	0.5	27.5	9.6	37.1
2021	0.4	27.9	9.0	36.9
2022	1.8	29.7	13.8	43.5
Aviation/Turbine				
2019	0.0	7.0	0.0	7.0
2020	0.0	7.0	0.0	7.0
2021	0.0	7.0	0.0	7.0
2022	0.0	7.0	0.0	7.0

* The base rate for gasoline and special fuel reflects increases based on increases in the Consumer Price Index.

Source: Comptroller of the Treasury

Motor Carrier Tax

The motor carrier tax rate is the motor fuel tax rate for the type of fuel used in the operation of a commercial motor vehicle.

Special Provisions

Payment of Increased Tax Rate on Inventories

Persons possessing tax-paid motor fuel for sale at the start of business on the date of an increase in the motor fuel tax must compile and file an inventory of the motor fuel held at the close of business on the immediately preceding date and remit within 30 days any additional motor fuel tax that is due on the motor fuel.

Discount for Collections

To compensate dealers and special fuel sellers for loss from shrinkage and evaporation and for administrative costs, the law allows dealers and sellers to retain 0.5% of the first 10 cents of their fuel tax liability per gallon.

Dealers who make the first sale or distribution of motor fuel (tax paid) share the collection allowance with distributors to whom they sell gasoline by passing along two-thirds of the discount. Distributors in turn share one-third of the collection allowance with retail service station dealers. Dealers or special fuel sellers making the first sale of motor fuel (tax paid) to a retail service station dealer pass along half of the collection allowance.

Exemptions

***Motor Fuel Tax*:** Sales to the federal government; sales to the Department of General Services for State vehicles; sales for use in a school bus owned by a county board of education or used to transport students by a school bus operator under contract with a county board of education; export sales to another state; certain sales to the Washington Metropolitan Area Transportation Authority; motor fuel bought for use by a diplomatic mission or diplomatic personnel; and aviation fuel sales to scheduled air carriers, Maryland State and local governments, the federal government, and foreign governments.

***Motor Carrier Tax*:** Federal government vehicles and recreational vehicles.

Tax Credits

***Motor Fuel Tax*:** See Discount for Collections.

***Motor Carrier Tax*:** A credit is allowed equal to the amount of motor fuel tax paid by a motor carrier on motor fuel purchased in Maryland.

Decals

Interstate motor carriers must obtain and display a set of International Fuel Tax Agreement decals (two identification markers certifying registration) on each of their commercial motor vehicles operating interstate. There is no cost for the decals. Decals are issued to motor carriers that designate Maryland as their base state under the agreement. Commercial motor vehicles that are tagged in Maryland or the District of Columbia and operate solely in Maryland or the District of Columbia are not required to register or to obtain any decals.

Trip Permit Fees

In lieu of the motor carrier tax, motor carriers can elect to obtain a 15-day permit that carries a fee equal to the current special fuel tax on 174 gallons. Trip permits must be obtained for each commercial motor vehicle, but no reports of mileage are required.

Refunds

Motor fuel tax refunds may be obtained for nonhighway use, except for gasoline used in pleasure boats and for fuel purchased by licensed suppliers and exported into other states. Refunds may also be obtained for taxes paid on fuel used in the following:

- any vehicle operated by a volunteer fire company or volunteer rescue squad incorporated in the State;
- any vehicle owned and used by a Maryland chapter of the American Red Cross;
- any vehicle used by a *bona fide* unit of a national veterans' organization;
- certain public transit and paratransit systems based in the State; and
- vehicles used to perform specific diplomatic missions.

A refund is also available for any Maryland tax paid on motor fuel that is lost due to fire, collision, or casualty or any fuel exported to another state.

A partial refund is provided for five separate types of power-take-off equipped highway vehicles (concrete mixing, motor fuel delivery, solid waste compacting, well-drilling, and farm fertilizer spreading vehicles).

Aviation fuel tax refunds are available for aircraft manufacturing companies and for aviation fuel used in certain agricultural activities.

Motor carriers may obtain refunds of the motor carrier tax when fuel purchases in Maryland exceed fuel consumed on Maryland highways.

Payment Dates

Motor fuel monthly tax reports, as well as taxes due from dealers, special fuel sellers, and special fuel users, must be received by the last day of the month following the report period, or postmarked two or more days prior to the last day of the month.

Motor carrier quarterly tax reports as well as taxes due must be postmarked or received by the last day of the month following the end of the calendar quarter.

Annual motor carrier decals expire on December 31 of each year and must be renewed for the next registration year. Under the International Fuel Tax Agreement, there is a two-month grace period for displaying the new year decals for carriers in good standing, provided they have filed an acceptable renewal form with the Comptroller and new year decals have been issued.

Administration of Tax

Motor fuel and motor carrier taxes are administered by the Motor Fuel Tax Division of the Comptroller of the Treasury.

Fines, Penalties, and Interest

- ***Late Motor Fuel Reports:*** a penalty not to exceed $25.
- ***Late Motor Carrier Reports:*** a penalty not to exceed $25.
- ***Fraudulent Reports:*** a penalty of 100% of the tax due.
- ***Late Payments or Underpayments:*** interest is assessed at a rate set by statute or 3% above the prime rate, whichever is greater.

Local Taxing Authority

None.

Revenues

Exhibit 10.4 shows the motor fuel tax and motor carrier tax revenues from fiscal 2004 to 2023.

Exhibit 10.4
Maryland Motor Fuel Tax and Motor Carrier Tax Revenues
Fiscal 2004-2023 Est.

Year	Tax Rate[1] (Cents Per Gallon)	Net State Revenues ($ in Millions)[2]	% Change
2004	23.5	$746.2	-4.2%
2005	23.5	752.9	0.9%
2006	23.5	758.0	0.7%
2007	23.5	755.7	-0.3%
2008	23.5	755.2	-0.1%
2009	23.5	736.1	-2.5%
2010	23.5	721.3	-2.0%
2011	23.5	752.3	4.3%
2012	23.5	733.6	-2.5%
2013	23.5	745.6	1.6%
2014	27.0	812.9	9.0%
2015	27.4	923.6	13.6%
2016	32.1	1,017.9	10.2%
2017	33.5	1,078.5	6.0%
2018	33.8	1,084.4	0.5%
2019	35.3	1,140.4	5.2%
2020	36.7	1,076.4	-5.6%
2021	36.3	1,025.5	-4.7%
2022 Est.	36.1	1,083.1	5.6%
2023 Est.	42.7	1,209.9	11.7%

[1] Tax rate per gallon is for gasoline and is the blended rate consisting of the base rate, which increases with the Consumer Price Index, added to the sales and use tax equivalent rate. Net State revenues include all motor fuel and motor carrier tax revenue.
[2] Net of refunds.

Source: Maryland Department of Transportation; Comptroller of the Treasury; Department of Legislative Services

Distribution of Revenues

***Motor Fuel Tax*:** Motor fuel tax revenues are distributed as follows:

- reserves are set aside for refunds relating to the motor fuel and motor carrier taxes;
- the amount necessary to administer the Motor Fuel Tax Division of the Comptroller's Office is distributed to an administrative cost account;

- the net proceeds of the aviation fuel tax (receipts less refunds) are credited to the Transportation Trust Fund;

- fuel tax revenues that are attributable to the portion of the rate that exceeds 18.5 cents per gallon, not including the increases due to adjustments based on the change in the Consumer Price Index nor the imposition of the sales and use tax equivalent rate, are distributed to the Gasoline and Motor Vehicle Revenue Account (effectively the revenue equal to 5.0 cents per gallon);

- fuel tax revenues that are attributable to adjustments based on the change in the Consumer Price Index and the imposition of the sales and use tax equivalent rate are credited to the Transportation Trust Fund; and

- the remainder each month is distributed to the following:

    - 2.3% to the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund;

    - 0.5% to the Waterway Improvement Fund; and

    - the balance to the Gasoline and Motor Vehicle Revenue Account that is divided among the Maryland Department of Transportation and the local jurisdictions as described previously.

***Motor Carrier Tax*:** Motor carrier tax revenues and trip permit fees are distributed to the Gasoline and Motor Vehicle Revenue Account.

Exhibit 10.5 shows the distribution of projected revenues for fiscal 2023.

Exhibit 10.5
Distribution of Motor Fuel Tax Revenues
Fiscal 2023
($ in Millions)

Revenues	Amount (Est.)	Distribution
Gross Receipts	**$1,209.4**	
Administration Expenses	-14.6	
Aviation Fuel Tax	-1.0	Transportation Trust Fund
Fuel Receipts Greater Than 18.5 Cents Per Gallon	-158.9	Gasoline and Motor Vehicle Fuel Account
Motor Vehicle Fuel Tax – Consumer Price Indexing	-149.0	Transportation Trust Fund
Motor Vehicle Fuel Tax – Sales and Use Tax Equivalent Rate	-334.3	Transportation Trust Fund
2.3% of Net Revenue Available	-12.7	Chesapeake and Atlantic Coastal Bays 2010 Trust Fund
0.5% of Net Revenue Available	-2.8	Waterway Improvement Fund
Net Motor Fuel Tax Revenues	**$536.2**	Gasoline and Motor Vehicle Revenue Account

Source: Maryland Department of Transportation

Trends

Historically, revenues from fuel taxes grew slowly, primarily because they were not inflation sensitive. Because the fuel tax was a flat tax levied per gallon, revenues were driven by consumption patterns and not by the relative price level of motor fuel. During the Great Recession in the late 2000s, as economic conditions worsened and motor fuel prices spiked, consumption patterns changed and, as a result, motor fuel tax revenue growth was flat or declined. Beginning in fiscal 2014, however, the motor fuel tax rate increases at the rate of increase in the Consumer Price Index. In addition, motor fuel tax revenue derived from the sales and use tax equivalent rate may increase or decrease depending on the average fuel price. Low gasoline prices, combined with increasing vehicle fuel efficiency and an increasing number of electric vehicles, led to declining growth in motor fuel tax revenues between 2015 and 2018. A small spike in revenues in fiscal 2019 was followed by two years of negative growth due to the COVID-19 pandemic-caused drop in vehicle miles driven. Strong growth is projected in the next few years, reflecting both the lower base in fiscal 2021 and higher gasoline prices experienced in fiscal 2022 that are projected to continue, at least in the near term.

History of Major Changes

1922	–	One cent per gallon fuel tax introduced.
1924	–	Tax rate increased to 2 cents per gallon.
1927	–	Tax rate increased to 4 cents per gallon.
1947	–	Tax rate increased to 5 cents per gallon.
1953	–	Tax rate increased to 6 cents per gallon.
1957	–	Motor Carrier Law enacted.
1964	–	Tax rate increased to 7 cents per gallon.
1969	–	Motor Fuel Inspection Law enacted to provide for the inspection and testing of motor fuel products.
1972	–	Tax rate increased to 9 cents per gallon.
1978	–	Maryland Divestiture Law upheld in the U.S. Supreme Court, precluding producers/refiners from owning and operating retail service stations in Maryland.
1982	–	Tax rate increased to 11 cents per gallon and decal fee raised to $25 per vehicle.
1983	–	Tax rate increased to 13.5 cents per gallon.
1985	–	All sellers of special fuel must be licensed, and all special fuel sales are subject to taxation except under specific circumstances. Decal fee for motor buses reduced from $25 to $10.
1987	–	Tax rate increased to 18.5 cents per gallon.
1988	–	Motor carrier decal registration fee reduced to $7.

1992 – Increases in all motor fuel tax rates approved at the 1992 special session. This legislation:

- increased the gasoline tax rate from 18.5 to 23.5 cents per gallon effective May 1, 1992;

- increased the aviation fuel tax rate from 5 to 7 cents per gallon effective May 1, 1992;

- increased the special fuel tax rate from 18.5 to 19.25 cents per gallon effective May 1, 1992, and from 19.25 to 21.75 cents per gallon effective January 1, 1993, with an additional 2.5 cents per gallon increase effective July 1, 1993 (for a total of 24.25 cents per gallon by July 1,1993); and

- imposed a 0.75 cent per gallon motor carrier surcharge on gasoline and clean-burning fuel powered vehicles effective July 1, 1993.

1994 – Eliminated the 0.75 cent per gallon motor carrier surcharge on gasoline and clean-burning fuel powered vehicles.

1996 – Maryland enters the International Fuel Tax Agreement.

2000 – Eliminated the $7 International Fuel Tax Agreement decal registration fee in an attempt to encourage the use of electronic credentialing through the Commercial Vehicle Information Systems and Networks.

2002 – Altered the motor fuel tax discount from 1.0% to 0.5% of the first 10 cents of fuel tax liability per gallon.

2005 – Exempted motor fuel purchased by the Department of General Services for State agencies from the motor fuel tax.

2007* – Redirected a portion of the motor fuel tax revenue from the General Fund (that historically had been used for Chesapeake Bay-related programs) to the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund, as renamed by legislation enacted during the 2008 session.

2013 – Allocated 0.5% of motor fuel tax revenue (after certain deductions) to the Waterway Improvement Fund and increased motor fuel tax rates for all fuels except aviation and turbine fuel. Specifically:

- indexed motor fuel tax rates to inflation for fiscal 2014 and for each year thereafter; and
- imposed a 1% sales and use tax equivalent rate beginning in fiscal 2014 and increasing to 2% on January 1, 2015; 3% beginning in fiscal 2016; 4% on January 1, 2016; and 5% beginning in fiscal 2017.

2016 – Exempted motor fuel for use in a school bus owned by a county board of education or used to transport students by a school bus operator under contract with a county board of education from the motor fuel tax.

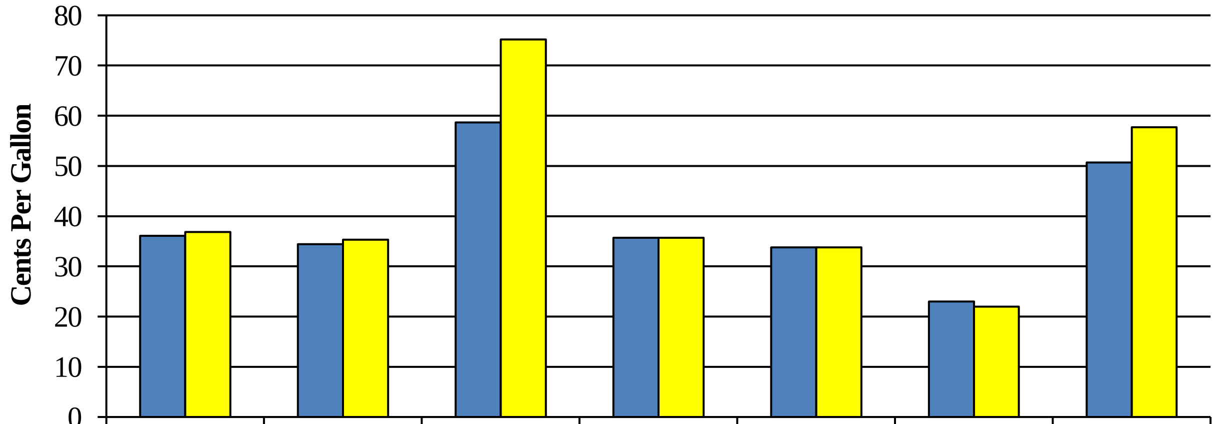
2022 – Elimination of motor fuel taxes on gasoline, clean-burning fuel, diesel, and special fuel for 30-day period from March 18 to April 16, with revenue loss offset by $100.0 million appropriation to Transportation Trust Fund.

* Special session.

Comparison with Other States

As seen in **Exhibit 10.6**, Maryland imposes the third highest tax rate on gasoline and diesel fuel among neighboring states.

Exhibit 10.6
Comparison of Regional Motor Fuel Tax Rates
Rates Effective January 1, 2022
(Cents Per Gallon)



	Maryland	Virginia	Pennsylvania	West Virginia	Washington, DC	Delaware	New Jersey
Gas	36.1	34.4	58.7	35.7	33.8	23.0	50.7
Diesel	36.9	35.3	75.2	35.7	33.8	22.0	57.7

Source: American Petroleum Institute

Sections of the Maryland Annotated Code

Tax – General Article, Titles 2, 9, and 13;

State Finance and Procurement Article, Section 7-113; and

Transportation, Section 8-402

Motor Vehicle Excise (Titling) Tax

Taxpayer

An applicant for a Maryland certificate of title for a motor vehicle, trailer, or semi-trailer is required to pay the tax for an original or subsequent title to a vehicle or for certain vehicles in interstate operation.

Tax Base

The tax is applied to the purchase price or fair market value of the vehicle. Purchase price is defined as the price of a vehicle agreed upon by the buyer and dealer, less an allowance for the value of a trade-in vehicle but with no allowance for other monetary consideration. Fair market value is defined as:

- for a new or used vehicle sold by a licensed dealer, the purchase price of the vehicle as certified by the dealer;

- for a vehicle less than seven years old and sold by a person other than a licensed dealer, the greater of the total purchase price or, if the total purchase price is $500 or more below the retail value of the vehicle as shown in a national publication of used car values (as adopted by the Maryland Department of Transportation), the valuation in the national publication is used if the total purchase price cannot be documented;

- for a vehicle greater than seven years old and sold by a person other than a licensed dealer, the greater of the purchase price or $640;

- trailers or off-highway recreational vehicles purchased in a private sale are assessed an excise tax on the greater of the total purchase price or $320; and

- in any other case, the total purchase price or valuation shown in a national publication of used car values.

Valuation of Base

Documents substantiating the fair market value of the vehicle must be provided by the applicant and include the date the vehicle was purchased, the purchase price and other information used in determining the fair market value of the vehicle, and a certified bill of sale (if the tax will be based on the purchase price).

Tax Rate

Applicants pay 6% of the fair market value or purchase price of the vehicle, less an allowance for a trade-in vehicle, with a minimum of $32. Trailers, other than a camping trailer rated by the manufacturer as having a gross vehicle weight of 2,500 pounds or less, are assessed an excise tax of $50.

Special Provisions

Exemptions

Exemptions from the titling tax include:

- a mobile home over 35 feet long;
- a government-owned or -leased vehicle (federal, State, or local);
- a vehicle owned by a fire department, a nonprofit rescue squad, the Civil Air Patrol, the Maryland Red Cross, or a national veterans' organization;
- a vehicle registered in a jurisdiction not requiring title and acquired for resale by a dealer or involuntarily transferred to a dealer where the title is not available;
- a school bus owned by a tax-exempt religious organization or private school;
- a privately owned bus used for public transportation on regular schedules and routes;
- a vehicle used to transport the disabled, if owned by certain nonprofit organizations;
- a mobile hearing/vision unit owned by a nonprofit organization;
- a vehicle transferred under certain circumstances, such as:
  - repossession under a security agreement;
  - nonmonetary transfer to certain relatives;
  - transfer to a legal heir;
  - certain transfers to or from a trust;
  - transfer for certain business purposes;
  - a leased vehicle transferred to the lessee at the end of a lease term of at least 180 days;
  - involuntary transfer due to divorce or separation; or
  - a jointly owned vehicle transferred to one of the owners;

- vehicles registered as Class F (tractors) or Class P (passenger bus);
- a vehicle acquired by an insurance company from a comprehensive collision claim;
- a vehicle acquired for resale by a licensed dealer if the dealer reassignment sections contained on the certificate of title are exhausted;
- a Class M motor home or Class G travel trailer that is transferred or retitled in the dealership's name under State law;
- a salvage vehicle acquired by a licensed dealer that has been restored by the licensed dealer and that has been inspected under State law;
- a rental vehicle;
- a special purpose vehicle owned by a coal company used for the transportation of workers, coal, or equipment used in the coal production process and used exclusively on coal mining property;
- a vehicle that was formerly titled and registered in another state by a member of the U.S. Uniformed Services who is on active duty or returning to the State from active duty; and
- a vehicle otherwise exempt by any other applicable law.

Vehicles Formerly Titled in Another State

If a vehicle was formerly titled in another state and the present owner has paid sales or titling tax to the other state, the titling tax is still imposed if the present owner is a Maryland resident who has not been in the State for more than 60 days. However, the owner may credit the out-of-state titling tax paid against his or her Maryland liability. If the titling tax paid out of state exceeds the owner's tax liability in Maryland, the owner must still remit a minimum of $100 to title the vehicle in Maryland.

Refunds

Refunds are made for overpayments of the tax when supported by documentation. In addition, a full or partial refund is paid when the purchase price (or some portion) is refunded or the vehicle is accepted for return by a dealer, manufacturer, factory branch, or distributor or by voluntary agreement.

Tax Credits

If a vehicle was formerly exempt, the tax is reduced by any retail sales tax assessed on the vehicle and paid by the present owner.

Subject to available funding, a person may claim an excise tax credit equal to (1) $3,000 for each zero-emission plug-in electric drive or fuel cell electric vehicle purchased; (2) $2,000 for each three-wheeled zero-emission electric motorcycle or autocycle purchased; or (3) $1,000 for each two-wheeled zero-emission electric motorcycle purchased. A zero-emission plug-in electric drive vehicle or fuel cell electric vehicle must meet certain requirements, including that the vehicle must (1) be acquired for use or lease by the taxpayer and be purchased new and titled for the first time beginning on July 1, 2023, through June 30, 2027, and (2) have a maximum base purchase price of $50,000.

Payment Dates

The titling tax is due at the time of application (*i.e.*, before issuing the title).

Administration of Tax

The Motor Vehicle Administration of the Maryland Department of Transportation is responsible for the administration and collection of the titling tax.

Fines, Penalties, and Interest

For deficiency assessments against dealers, violators are fined an amount equal to the tax due plus a 10% penalty and an interest charge equal to the greater of a rate set in statute or 3 percentage points above the average prime rate of interest.

If after 10 days from notice a dealer fails to pay a deficiency assessment, an additional penalty of 25% may be levied.

Any person who fails to pay the excise tax as required is guilty of a misdemeanor and on conviction is subject to a maximum $1,000 fine.

Local Taxing Authority

None.

Revenues

Titling tax revenues for fiscal 2004 to 2023 are shown in **Exhibit 10.7**.

Exhibit 10.7
Maryland Motor Vehicle Excise (Titling) Tax Revenues
Fiscal 2004-2023 Est.
($ in Millions)

Year	Net Revenues[1]	Percent Change
2004	$719.8	7.5%
2005	717.8	-0.3%
2006	719.2	0.2%
2007	703.8	-2.1%
2008[2]	649.7	-7.7%
2009	514.2	-20.9%
2010	543.4	5.7%
2011	594.9	9.5%
2012	632.4	6.3%
2013	684.7	8.3%
2014	740.8	8.2%
2015	795.5	7.4%
2016	860.4	8.2%
2017	886.0	3.0%
2018	869.0	-1.9%
2019	916.5	5.5%
2020	846.8	-7.6%
2021	976.7	15.3%
2022 Est.	991.4	1.5%
2023 Est.	1,031.0	4.0%

[1] Net of refunds and discounts for collections.
[2] Beginning in January 2008, the tax rate increased from 5% to 6% with a full trade-in allowance.

Source: Comptroller of the Treasury

Distribution of Revenues

The titling tax is distributed as follows:

- one-third to the Transportation Trust Fund; and
- two-thirds to the Gasoline and Motor Vehicle Revenue Account, which is used to calculate transportation aid for local governments, as discussed previously.

Exhibit 10.8 illustrates the distribution of the fiscal 2023 estimated titling tax revenues.

Exhibit 10.8
Distribution of Titling Tax Revenues
Fiscal 2023 Estimate
($ in Millions)

	Amount	**Distribution**
Net Revenues*	**$1,031.0**	
Less Distributions:		
One-third of Proceeds	343.7	Transportation Trust Fund
Two-thirds of Proceeds	687.3	Gasoline and Motor Vehicle Revenue Account

* Net of refunds and discounts for collections.

Source: Comptroller of the Treasury

Trends

Despite a rate increase from 5% to 6% effective in early 2008, titling tax revenues decreased significantly in fiscal 2008 and 2009 due to the Great Recession. Following the recession, revenue growth was robust, growing at an average annual rate of 6.0% from fiscal 2010 through 2019. The COVID-19 pandemic contributed to a 7.6% decline in fiscal 2020, which was followed by a strong rebound in fiscal 2021 as pent-up demand led to a 15.3% increase off the weak 2020 base. Revenue growth is projected to be moderate for the next couple of years.

History of Major Changes

1933 – Titling tax rate of 1% introduced for use as a general revenue source.

1939 – Tax rate increased to 2%.

1947 – Tax revenues allocated to the State Highway Administration and dedicated to transportation uses.

1964 – Tax rate increased to 3%.

1969 – Tax rate increased to 4%: 3% distributed to the State Highway Administration; 1% to the General Fund.

1971 – Transportation Trust Fund established. One percent distribution to the General Fund repealed and redistributed to the Gasoline and Motor Vehicle Revenue Account. Established a distribution of titling taxes within the Gasoline and Motor Vehicle Revenue Account.

1978 – Tax rate increased to 5%, with 20% of revenues allocated to the General Fund.

1981 – Transportation Revenue Sharing Account established; 20% of the titling tax revenues allocated to this account (revenues previously distributed to the General Fund). Transportation Revenue Sharing Account revenues were allocated accordingly: 75% to the Transportation Trust Fund and 25% to Baltimore City and counties.

1985 – Distribution of the Transportation Revenue Sharing Account revenues altered: 76% to the Transportation Trust Fund and 24% to Baltimore City and counties.

1993 – Distribution of the Transportation Revenue Sharing Account revenues altered: 76% to the Transportation Trust Fund and 24% to the General Fund.

– Increased the sales tax rate for short-term rental of passenger cars and multipurpose vehicles from 8.0% to 11.5%.

1994 – Transportation Revenue Sharing Account is repealed effective July 1, 1995, and the 20% of titling tax revenues allocated to the Transportation Revenue Sharing Account is allocated to the Transportation Trust Fund.

1995 – Long-term vehicle leases exempted from the sales and use tax.

1998 – Short-term rental vehicles exempted from the motor vehicle excise tax and distribution of revenues collected from sales and use tax on short-term rental vehicles altered.

2000 – Instituted an excise tax credit for electric vehicles and hybrid vehicles titled before July 1, 2004. Also exempted vehicles transferred to a lessee who purchases a vehicle at the end of a lease term from the titling tax.

2001 – Altered distribution of revenues collected from the sales tax on short-term vehicle rentals so that 100% of the revenues went to the Transportation Trust Fund, instead of 45%.

2002 – Altered distribution of short-term vehicle rental excise tax revenues back to 45% to the Transportation Trust Fund and 55% to the General Fund (reversed 2001 change).

2003 – Increased the maximum processing fee that a vehicle dealer may charge for the sale of a vehicle from $25 to $100 and applied the fee toward the vehicle's total purchase price for imposing the State vehicle excise tax.

2006 – Reduced the minimum fair market value for a used trailer sold by a private individual from $640 to $320.

2007* – Tax rate increased to 6%, with the increase dedicated to the Transportation Trust Fund and a full trade-in allowance to be applied to the total purchase price.

2010 – Tax credit provided of up to $2,000 for certain electric vehicles beginning October 1, 2010, through June 30, 2013.

2011 – Reduced the amount dealers may keep for collecting and remitting the excise tax from 1.2% of the gross excise tax collected to the lesser of $12 per vehicle or 0.6% of the gross excise tax collected.

2013 – Lowered the maximum tax credit provided for certain electric vehicles to $1,000 and extended the credit through June 30, 2014.

2014 – Increased the maximum tax credit provided for certain electric vehicles to $3,000 and extended the credit through June 30, 2017.

2016 – Allowed a person to deduct the trade-in allowance for a leased vehicle for purposes of calculating the vehicle excise tax if the person purchased a vehicle or leased another vehicle from a different leasing company.

2017 – Extended through fiscal 2020 the Electric Vehicle Recharging Equipment Rebate Program and authorization to issue motor vehicle excise tax credits for certain electric vehicles.

2018 – Altered process for appropriating highway user funds that are required to be distributed to Baltimore City, counties, and municipalities by converting transportation aid from a share of revenues in the Gasoline and Motor Vehicle Revenue Account to mandated capital appropriations based on a percentage of revenues credited to that account and increased the percentages distributed to local governments for fiscal 2020 through 2024.

2020 – Deleted the provision allowing a licensed dealer to retain a portion of the gross excise tax collected by the dealer on behalf of the Administration.

2022 – Exempted from the vehicle excise tax a vehicle that was formerly titled and registered in another state by a member of the U.S. Uniformed Services who is on active duty or returning to the State from active duty.

– Reauthorized the tax credit for certain electric vehicles from July 1, 2023, through June 30, 2027.

* Special session.

Sections of the Maryland Annotated Code

Transportation Article, Sections 8-402 through 8-405 and Title 13, Subtitle 8

Motor Vehicle Registration, License, and Other Fees

Registration Fees

All motor vehicles, trailers, and related transportation equipment domiciled within the State must register with the Motor Vehicle Administration. Most vehicles are registered biannually. Vehicles exempt from registration fees generally include those owned by:

- a government agency, including law enforcement vehicles;
- a volunteer fire company or rescue squad or recognized fire buff organization;
- the Civil Air Patrol;
- a national veterans organization;
- the American Red Cross;
- certain nonprofit organizations;

- certain disabled veterans and their surviving spouses; and
- certain school vehicles.

Normal registration fees are distributed to the Gasoline and Motor Vehicle Revenue Account. Current biennial fees for personal vehicles are either $101 or $153, depending on the size and type of vehicle.

In addition to registration fees otherwise required, an annual surcharge of $17 (the biennial amount of $34 is collected at the time the vehicle is registered) is imposed for registration of most motor vehicles. This surcharge is distributed to the Maryland Emergency Medical Services Operations Fund ($14.50) and the Trauma Physician Services Fund ($2.50) to support the State's emergency medical services system.

In addition to the annual registration fee otherwise required, an owner desiring a personalized (vanity) tag pays an additional $50 annual fee. Revenues from vanity tags are distributed to the Transportation Trust Fund for the cost recovery of the Motor Vehicle Administration's operating and capital expenses.

A portion of initial fees (not renewals) from other special registrations, commemorative tags, and organizational tags are paid to the Transportation Trust Fund for cost recovery. The renewal revenues and the portion of the initial fee not needed for cost recovery purposes from the Agriculture Plate and the Chesapeake Bay Plate are dedicated to a special fund that benefits those specified causes.

License Fees

The Motor Vehicle Administration collects fees for operating and regulatory licenses. Regulatory licenses are required for car dealers, wreckers, title service agents, driving school instructors, and others. Maryland vehicle operating licenses are required for all operators of motor vehicles within the State except:

- drivers of certain federally owned vehicles;
- members of Congress (except those elected in Maryland);
- drivers of vehicles for "off-highway" use;
- nonresident students;
- new residents for up to 60 days;
- certain members of the U.S. Armed Forces and their dependents; and
- visitors to the State licensed in other states or other countries.

Commercial operator's license fees over and above the base fees, driver's license renewals, and fees collected from the issuance of regulatory licenses are credited to the Transportation Trust Fund.

Miscellaneous Fees

State law requires the Motor Vehicle Administration to recover between 95% to 100% of its operating and capital costs through the assessment of miscellaneous fees. Fee adjustments are to be made if recovery exceeds 100%. Each year, the Motor Vehicle Administration issues a new fee schedule to meet the cost recovery requirement.

A number of miscellaneous fees assessed by the Motor Vehicle Administration are distributed based upon a formula set in statute, with all or a portion of the revenue transferred to other funds or purposes.

Vehicle Emission Inspection Program Fees

In accordance with the federal Clean Air Act, Maryland requires specified vehicles registered in certain areas of the State to undergo vehicle emissions inspections. The State operates an enhanced emissions testing program that uses various tests depending upon the model year/weight of the vehicle. All model year 1977 and newer vehicles in the State must be tested every two years; however, some vehicles are exempt, including:

- new vehicles or qualified hybrid vehicles less than 36 months after first being registered in the State;
- vehicles owned by individuals aged 70 and over or with certain disabilities who drive less than 5,000 miles each year;
- a motor vehicle owned by at least one active-duty member of the armed services of the United States if the owner has received military orders (1) for deployment outside the United States or (2) to a duty station in a jurisdiction that is not subject to a vehicle emissions control inspection and maintenance program;
- fire or rescue apparatus or ambulance owned or leased by a political subdivision or by a volunteer fire company;
- emergency vehicles;
- certain vehicles over 26,000 pounds;
- vehicles powered solely by diesel or electric;

- motorcycles;
- zero-emissions vehicles, as established in regulation;
- vehicles registered as a farm truck, farm truck tractor, or farm area vehicle;
- vehicles registered as a Class H school vehicle or Class P passenger bus; and
- historic or antique vehicles.

Diesel vehicles with a gross weight above 10,000 pounds, which had initially been exempt, are currently subject to spot roadside testing.

If a vehicle fails the test, the owner can qualify for a waiver from additional tests if $450 worth of repairs are made to the vehicle (1) within 30 days before the test or (2) within 120 days following the initial test. The administration may enforce the program through administrative sanctions, including suspension of the vehicle registration; denial of vehicle registration renewal; or confiscation of the vehicle registration plates. In addition, the owner of a diesel vehicle with a gross weight above 10,000 pounds is subject to a fine of up to $1,000 for a first offense, a fine up to $2,000 for a second offense, and a fine of up to $3,000 for a third or subsequent offense.

Uninsured Motorist Fees

The State penalizes motorists who operate motor vehicles without insurance by assessing a $150 penalty for the first 30 days the vehicle is not insured and a $7 daily penalty for each day thereafter. Uninsured motorist fee revenues are distributed according to the following schedule:

- 70% is distributed among three special funds (the Vehicle Theft Prevention Fund, the Maryland Automobile Insurance Fund, and the Safe Schools Fund) and the General Fund; and
- 30% is retained by the Transportation Trust Fund.

Salvage Inspection Fees

The Motor Vehicle Administration collects a salvage inspection fee at the time of titling salvage vehicles. The fee is set at $25, and the revenues are paid to the Automotive Safety Enforcement Division of the Department of State Police.

A summary of the revenues from motor vehicle registration, license, and other fees for fiscal 2004 to 2023 is provided in **Exhibit 10.9**.

Exhibit 10.9
Maryland Motor Vehicle Registration, License, and Other Fees
Fiscal 2004-2023 Est.
($ in Millions)

Year	Registration	License	VEIP	Misc.	Total	% Change
2004	$198.8	$39.7	$5.4	$90.4	$334.3	6.7%
2005	351.3	41.3	5.9	96.9	495.4	48.2%
2006	361.0	38.1	6.7	103.2	509.0	2.7%
2007	372.5	38.2	7.4	113.2	531.3	4.4%
2008	355.0	42.8	8.0	114.8	520.6	-2.0%
2009	355.0	42.9	8.0	122.6	528.5	1.5%
2010	350.1	39.3	9.5	125.0	523.9	-0.9%
2011	360.5	37.2	32.0	125.9	555.6	6.1%
2012	357.2	37.4	31.9	172.4	598.9	7.8%
2013	362.3	46.8	31.6	178.0	618.7	3.3%
2014	367.3	50.8	32.8	178.5	629.4	1.7%
2015	376.5	52.7	33.8	187.2	650.2	3.3%
2016	381.3	53.6	31.6	193.2	659.7	1.5%
2017	389.1	55.0	33.6	197.5	675.2	2.3%
2018	390.1	44.6	32.0	192.1	658.8	-2.4%
2019	403.5	49.3	31.4	197.7	681.9	3.5%
2020	367.2	43.7	23.5	173.9	608.3	-10.8%
2021	407.6	48.6	27.6	178.6	662.4	8.9%
2022 Est.	413.1	53.2	29.2	194.2	689.7	4.1%
2023 Est.	415.6	53.1	28.9	195.6	693.2	0.5%

VEIP: Vehicle Emissions Inspection Program

Source: Maryland Department of Transportation

Sections of the Maryland Annotated Code

Registration Fees

Transportation Article, Title 13, Subtitles 4, 5, and 9

License Fees

Transportation Article, Title 16

Miscellaneous Fees

Transportation Article, Section 12-120

Vehicle Emissions Inspection Program Fees

Transportation Article, Section 23-205

Uninsured Motorist Fees

Transportation Article, Section 17-106

Salvage Inspection Fees

Transportation Article, Section 13-507

Other Sources of Transportation Trust Fund Revenues

Corporate Income Tax

The Transportation Trust Fund receives 17.2% of the corporate income tax after certain deductions, or approximately 14.59% of total revenues generated from the corporate income tax. The share of the corporate income tax going to the Transportation Trust Fund will increase to 20% (approximately 17.0% of total revenues) after certain deductions in fiscal 2024, increasing to 21% in fiscal 2025 and 22% in fiscal 2026 and 2027, and then remain at 20% for fiscal 2028 onwards. It is estimated that $280.6 million will be allocated from the corporate income tax to the trust fund in fiscal 2023.

Rental Car Sales Tax

Since 1998, the Transportation Trust Fund has received 45% of revenues generated from the rental car sales and use tax. In fiscal 2023, an estimated $27.8 million will be allocated to the Transportation Trust Fund.

Operating Revenues

The Maryland Transit Administration collects operating revenues from fares, fees, rates, rentals, and other charges for mass transit. Beginning in fiscal 2015 and on a biennial basis thereafter, the Maryland Transit Administration is required to increase base fares and the cost of multi-use passes by the same percentage as the biennial increase in the Consumer Price Index for all urban consumers for all transit services except commuter rail and commuter bus service. For commuter rail and commuter bus service, the administration is required to increase fares in fiscal 2015 and every five years thereafter by at least the same percentage as the five-year increase in the Consumer Price Index. The Maryland Transit Administration is also required to submit annual operating performance goals for each mode of service provided. In fiscal 2023, the administration is expected to collect an estimated $122.3 million in fees and charges.

The Maryland Aviation Administration collects revenues from charges, rentals, and fees for use of Baltimore/Washington International Thurgood Marshall and Martin State airports. In fiscal 2023, the administration is expected to collect an estimated $236.0 million in charges, rentals, and fees.

The Maryland Port Administration collects operating revenues from rates, fees, rentals, or other charges associated with port operations. In fiscal 2023, the administration is expected to collect an estimated $53.6 million from these sources.

Investment Income

The Treasurer invests funds of the Maryland Department of Transportation. Interest earned from funds deposited in the common pool is allocated to the department on a *pro rata* basis. The department is expected to receive an estimated $2.0 million in interest income in fiscal 2023.

Reimbursements and Miscellaneous Collections

Reimbursements received by the State, such as reimbursements for the cost of repairing damage done to State property, are another source of Transportation Trust Fund revenues. The State Highway Administration will receive approximately $16.1 million in reimbursements in fiscal 2023. Miscellaneous other revenue sources include land leases for cellphone tower placement or map sales by the Secretary's office and hauling permit fees issued for oversized and overweight vehicles. The department is expected to collect an estimated $35.2 million in miscellaneous revenues in fiscal 2023.

Sections of the Maryland Annotated Code

Corporate Income Tax

Tax – General Article, Sections 2-613 through 2-615; and Transportation Article, Section 3-215

Rental Car Sales Tax

Tax – General Article, Section 2-1302.1

Operating Funds

Transportation Article, Sections 5-304 and 5-408 (Maryland Aviation Administration), 6-204 (Maryland Port Administration), and 7-208 and 7-505 (Maryland Transit Administration)

Investment Income

Transportation Article, Section 2-103.2

Reimbursements and Miscellaneous Collections

Transportation Article, Sections 8-625, 8-642, 8-646, 8-710, 8-718, 8-805, and 24-112 (hauling permits)

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume VI – Maryland Local Government
Volume VII – Business Regulation in Maryland

Chapter 11. State Lottery and Casino Gaming

Lottery Revenues

All monies received in lottery sales, less agent commissions, are credited to a special account known as the State Lottery Fund. A system of voucher deposits provides for payout of prizes and commissions outside the State budget. Operating expenses of the State Lottery and Gaming Control Agency are paid from the fund through normal budgetary procedures. The remaining funds are available as prizes, with any undistributed portion becoming part of the State's share ($721.8 million estimated in fiscal 2023). Any special distributions, such as for the Maryland Stadium Authority ($14.6 million), the Baltimore City Public School Construction Financing Fund ($20.0 million), and the Racing Special Fund ($17 million), are deducted from the State's share. Additionally, 10% of proceeds from the ticket sales of instant ticket lottery machines by veterans' organizations is distributed into the Maryland Veterans Trust Fund. The remainder ($664.9 million estimated in fiscal 2023) is credited to the General Fund.

Exhibit 11.1 displays the State Lottery Fund's receipts and disbursements, including special distributions, from fiscal 2021 to 2023. **Exhibit 11.2** provides historical distributions of gross lottery sales, and **Exhibit 11.3** provides a historical breakdown of lottery revenues by game.

Exhibit 11.1
State Lottery Fund
Sales and Revenues
Fiscal 2021-2023 Estimated
($ in Millions)

	2021 Actual	2022 Estimated	2023 Estimated
Gross Sales	**$2,611.1**	**$2,642.6**	**$2,646.9**
Racing Facility Renewal Account Revenue		**$17.0**	**$17.0**
Deductions			
Agent Commissions	$197.2	$200.8	$201.2
Operating Expenses	92.2	90.4	92.5
Prizes	1,654.3	1,660.3	1,648.4
Net Lottery Revenues	**$667.4**	**$708.1**	**$721.8**
Special Fund Distributions			
Maryland Stadium Authority	$15.2	$15.2	$14.6
Baltimore City School Construction	20.0	20.0	20.0
Maryland Racing Fund		17.0	17.0
Local Impact Grants to Anne Arundel County		3.9	3.9
Michael Erin Busch Sports Fund	0.3	1.0	1.0
Maryland Humanities Council		0.2	0.2
Veterans Trust Fund	0.2	0.3	0.2
General Fund Revenues	**$631.7**	**$650.4**	**$664.9**

Note: Figures may not sum due to rounding.

Source: State Lottery and Gaming Control Agency

Exhibit 11.2
State Lottery Fund Flow
Fiscal 2004-2023 Est.
($ in Millions)

Fiscal Year	Net Sales	Agent Commissions	Admin. Expenses	Prize Fund	Special Fund Distribution	Net GF Amount
2004	$1,395.4	$91.2	$51.6	$786.8	$22.0	$436.4
2005	1,485.7	97.6	53.5	856.2	21.2	455.9
2006	1,560.9	102.7	54.6	904.1	20.5	480.5
2007	1,577.3	112.2	51.8	927.0	21.0	473.1
2008	1,673.0	117.8	58.4	956.9	32.3	497.1
2009	1,698.2	121.9	59.1	1,025.9	20.0	473.2
2010	1,706.6	113.1	51.1	1,034.2	19.6	523.0
2011	1,714.4	113.7	54.1	1,029.0	20.0	527.6
2012	1,794.9	118.3	54.6	1,065.7	20.0	536.3
2013	1,756.1	119.8	54.7	1,036.3	19.3	525.9
2014	1,724.0	122.1	56.1	1,024.2	20.0	501.6
2015	1,760.9	128.6	55.9	1,050.0	20.0	506.4
2016	1,905.5	141.2	59.0	1,135.4	40.1	529.8
2017	1,931.6	145.9	67.1	1,197.2	41.2	483.8
2018	2,042.8	153.7	70.4	1,246.8	41.1	534.5
2019	2,196.9	165.5	79.8	1,362.2	41.1	552.4
2020	2,189.8	163.7	77.9	1,361.9	40.1	548.5
2021	2,611.2	197.2	92.2	1,657.5	35.7	631.7
2022 Est.	2,642.6	200.8	90.4	1,660.3	57.6	650.4
2023 Est.	2,646.9	201.2	92.5	1,648.4	56.9	664.9

GF: General Fund

Source: State Lottery and Gaming Control Agency

Exhibit 11.3
State Lottery
Revenue Percentages by Game
Fiscal 2004-2023 Est.

Fiscal Year	Pick 3	Pick 4	Multimatch	Instant	Keno/Keno Bonus/ Super Bonus	Racetrax/ Racetrax Bonus	Bonus Match 5	Mega Millions	Powerball	Other[1]	Total Net Revenues
2004	27.60%	19.50%		14.80%	25.10%		1.60%	8.20%		3.20%	$458.4
2005	26.30%	19.30%		14.90%	26.30%	0.00%	1.50%	8.80%		2.80%	477.1
2006	23.20%	21.70%	1.10%	14.90%	26.30%	0.00%	1.60%	9.60%		1.60%	501.0
2007	25.50%	19.10%	2.10%	16.00%	24.30%	2.60%	1.40%	8.50%		0.40%	494.1
2008	23.50%	21.10%	2.10%	17.40%	21.30%	3.10%	1.40%	10.10%		0.00%	529.4
2009	21.10%	18.60%	2.30%	18.30%	23.60%	3.90%	1.70%	10.50%		0.00%	493.2
2010	21.50%	18.00%	2.50%	17.60%	21.70%	4.60%	1.50%	10.30%	2.40%	0.00%	542.6
2011	20.40%	20.20%	1.90%	16.80%	21.10%	5.20%	1.40%	8.30%	4.60%	0.00%	547.6
2012	20.40%	19.50%	2.00%	16.00%	19.80%	5.80%	1.40%	8.40%	6.70%	0.00%	556.3
2013	18.60%	21.90%	1.90%	15.30%	18.00%	6.30%	1.30%	5.60%	10.40%	0.60%	545.2
2014	19.40%	21.50%	1.80%	15.60%	16.30%	6.90%	1.50%	8.00%	8.60%	0.50%	521.1
2015	19.20%	22.70%	2.30%	17.40%	16.10%	6.80%	1.50%	5.60%	7.00%	1.20%	526.5
2016	16.91%	23.73%	1.95%	17.65%	15.06%	6.61%	1.23%	5.21%	10.51%	1.14%	569.8
2017	18.93%	19.05%	1.63%	20.89%	15.76%	7.82%	1.27%	4.87%	8.02%	1.76%	524.9
2018	17.06%	22.36%	1.79%	20.35%	13.94%	7.44%	1.20%	6.16%	8.48%	1.22%	575.6
2019	14.84%	20.94%	1.65%	22.15%	12.83%	7.67%	1.00%	9.44%	8.30%	1.18%	593.5
2020	17.94%	21.17%	1.73%	24.84%	11.64%	8.40%	1.13%	5.52%	4.92%	2.71%	588.6
2021	18.38%	19.48%	1.67%	22.98%	10.87%	9.80%	1.11%	6.66%	5.66%	3.39%	667.4
2022 Est.	16.17%	22.29%	1.54%	23.71%	11.12%	10.07%	1.02%	5.32%	5.14%	3.62%	689.2
2023 Est.	16.00%	22.44%	1.52%	23.62%	11.00%	10.25%	0.00%	5.36%	5.18%	4.63%	704.8

[1] Other includes Lotto (2000-2006), Cash in Hand (2000-2003), Let it Ride (2001-2002), Instant Win (2004), Countdown to Millions (2007-2008), MD Hold'Em (2007-2009), 5 Card Cash (2013-2019), ITLM (2015-2023), Cash4Life (2016-2023), FastPlay (2020-2023), and miscellaneous adjustments.

Note: Percentages may not sum due to rounding.

Source: State Lottery and Gaming Control Agency; Department of Legislative Services

Trends

Lottery sales in fiscal 2021 increased by nearly 20% over fiscal 2020 to a total of $2.6 billion, far exceeding the previous sales record of $2.2 billion in fiscal 2019. For the seventh consecutive year, sales of scratch-off tickets set an all-time record, totaling $993.4 million, a 16.5% increase from the previous record set in fiscal 2020. In fiscal 2021, Maryland ranked fourth highest among state lotteries in per capita sales.

In fiscal 2021, 63.5% of sales paid for prizes, 7.6% paid for agent commissions and redemption fees, 3.4% paid for operations of the lottery program, and 25.5% was credited as revenue to the State (including a small percentage distributed to special funds).

Lottery Games

The games administered by the Maryland Lottery can be grouped into numbers games, instant games, and multi-state games.

Numbers games include:

- ***Pick 3:*** a three-digit lottery game conducted twice daily;

- ***Pick 4:*** a four-digit lottery game conducted twice daily;

- ***MultiMatch:*** a twice weekly game where players select 6 numbers from 1 to 43, and then players automatically receive 2 additional sets of 6 randomly selected numbers for a total of 18 numbers per each play – players win by either matching at least 3 numbers on any set of numbers or at least 5 numbers on all 3 lines of 18 numbers with the 6 numbers drawn by the Lottery; and

- ***Bonus Match 5:*** a daily game where players select 5 of 39 numbers, players can also purchase an additional set or sets of numbers.

Instant games include:

- ***Ticket Games:*** also known as “scratch-offs,” in which purchased tickets have a concealed prize structure and winners are determined when a player rubs material concealing the prize structure on the ticket to determine winning tickets;

- ***Fast Play:*** games are printed by Lottery retailer terminals and self-service vending machines at the time of purchase – players win if their numbers or symbols match the winning numbers or symbols;

- ***Keno:*** drawings, occurring every three and a half minutes, are shown on video monitors in licensed Keno agent locations, including restaurants, taverns, and bowling alleys, and are played by choosing up to 10 numbers from a field of 80 – players win when their selected numbers match those the computer selects in a given drawing;

- ***Keno Bonus:*** a supplement to Keno, where before each Keno drawing, the Keno Bonus feature is drawn, and the drawing determines how much the player's potential Keno winnings will be increased by, if at all, a multiplier of up to 10;

- ***Keno Super Bonus:*** a supplement to Keno, where the amount of the wager is twice the amount of the Keno wager, and by matching a Keno wager, the player may multiply potential Keno winnings by a multiplier of up to 20;

- ***Racetrax:*** a computer-animated game that simulates betting at a live horse racing event, games are shown on television monitors at licensed retailer locations with races occurring approximately every five minutes;

- ***Racetrax Bonus:*** a supplement to Racetrax, where before each Racetrax drawing, the Racetrax Bonus feature is drawn and the drawing determines how much the player's potential Racetrax winnings will be increased by, if at all, a multiplier of up to 10; and

- ***5 Card Cash:*** tickets feature 5 randomly selected cards from the standard deck of 52 playing cards with players winning instantly if their cards show a poker hand of a pair of jacks or better and provides another chance to win with daily drawings where players win by matching their cards to the cards drawn.

Multi-state games include:

- ***Cash4Life:*** a nightly game where players select 5 numbers from 1 to 60, along with 1 of 4 for the Green Cash Ball;

- ***Mega Millions:*** a twice weekly game where players select 5 numbers from 1 to 70, along with 1 of 25 for the Mega Ball; and

- ***Powerball:*** a three nights per week game where players select 5 numbers from 1 to 69, along with 1 of 26 for the Power Ball.

Equipment

For lottery games, the agency provides:

- computer terminals to agents at no cost;

- any communications charges for use of the computer; and
- promotional materials.

Compensation

Agents are paid:

- a commission amounting to 6.0% of all lottery sales; and
- a fee of up to 3.0% of prizes for validating and cashing winning tickets.

The State Lottery and Gaming Control Commission may authorize additional payment of special bonuses, not to exceed one-half of 1% of the gross sales from ticket sales for which the bonuses are awarded, to licensed agents and their employees.

Unclaimed Prizes

Unclaimed prizes for a winning ticket are retained by the State Lottery and Gaming Control Agency for 182 days after the drawing in which the prize was won. If no claim is made after that time, the prize is held in an unclaimed prize fund for further use as prizes. However, the holding of bonus games or drawings with a preannounced period for the claiming of prizes of other than 182 days is allowed.

Administration

The State Lottery and Gaming Control Agency is the administrative entity, with the State Lottery and Gaming Control Commission providing oversight.

Penalties

A person is guilty of a misdemeanor and is subject to a fine not exceeding $2,500 or imprisonment not exceeding three years or both, if that person is convicted of any one of the following: (1) presenting itself to the public as a State lottery ticket sales agent without specifically being authorized by the State Lottery and Gaming Control Agency; (2) selling a lottery ticket or share without a license; (3) selling a lottery ticket or share at a price other than prescribed; (4) selling a lottery ticket or share to a minor; (5) paying a prize winner less than the lawfully due amount; (6) receiving a cash fee for cashing a winning ticket filed in error; (7) knowingly presenting or transferring counterfeit or altered tickets for payment; (8) failing to report income tax information relating to holders of winning tickets to the Internal Revenue Service; (9) using the term “Maryland State Lottery” or comparable variations in the title or name of a charitable or commercial enterprise, product, or service without written authorization from the State Lottery and Gaming Control Agency; or (10) paying a prize to a holder of a winning lottery ticket if the State

Lottery and Gaming Control Agency has notified the licensed agent that the holder has been certified as not paying restitution or child support payments under State law.

History of Major Changes

1973 – Weekly game.

– Regular subscription game.

1976 – First instant game.

– Pick 3 game.

1981 – Second instant game.

1982 – Third instant game.

1983 – Pick 4 game.

– Lotto game.

1986 – Fourth instant game.

– Fifth instant game.

1988 – Multiple instant games.

– Distributions to Maryland Stadium Authority begin.

1990 – Winners Take All cash game.

1991 – Match 5 (replaces Winners Take All).

1993 – Keno.

1996 – The Big Game.

1997 – One-time distribution of $5 million of fiscal 1997 lottery revenues (revenue overattainment) to a special fund to increase purses at racetracks and to supplement existing bred funds.

1998 – Cash in Hand (replaces Match 5).

– One-time distribution of $5 million of fiscal 1998 lottery revenues (revenue overattainment) to a special fund to increase purses at racetracks and to supplement existing bred funds.

1999 – Commission from ticket sales of online games increased from 4% to 5% of total sales.

– One-time distribution of $10 million of fiscal 1999 lottery revenues (revenue overattainment) to a special fund to increase purses at racetracks and to supplement existing bred funds.

2000 – One-time distribution of $10 million of fiscal 2000 lottery revenues (revenue overattainment) to a special fund to increase purses at racetracks, supplement existing bred funds, and improve the health and education benefits for eligible persons licensed by the Maryland Racing Commission.

2001 – Let It Ride game created.

2002 – Let It Ride and Cash in Hand canceled.

– Bonus Match 5 returns (replaces Cash in Hand).

– The State Lottery Agency authorized to enter into agreements to operate multijurisdictional lotteries with political entities outside the United States or private licensees of a state or a foreign nation.

– Big Game renamed Mega Millions.

2003 – Plans for international lottery game canceled, which Maryland and 20 other states had planned to join, as four of eight European countries pull out in the days prior to the United States invasion of Iraq.

2006 – Commission from ticket sales increased from 5.0% to 5.5% of total sales effective July 1, 2006.

– MultiMatch replaces Lotto.

– Racetrax is launched statewide.

2008 – State Lottery Commission expands from five to nine members.

2009 – Commission from ticket sales decreased from 5.5% to 5.0% of total sales for fiscal 2010 to 2012.

2010 – Powerball is introduced.

2012 – *The nine-member State Lottery Commission becomes the seven-member State Lottery and Gaming Control Commission within the renamed State Lottery and Gaming Control Agency.

– * Commissions from ticket sales increased from 5% to 5.5% of total sales effective January 1, 2013, and further increased to 6.0% upon the issuance of a video lottery operation license in Baltimore City.

– 5 Card Cash is launched statewide.

2014 – Commission from ticket sales is set permanently at 5.5% of total sales.

2015 – Raffles authorized.

2016 – Cash4Life game.

2017 – The State Lottery and Gaming Control Agency prohibited from selling lottery games over the Internet.

2020 – Fast Play game.

2022 – Commission from ticket sales increased from 5.5% to 6.0% of total sales.

* Special session.

Comparison with Other States

Exhibit 11.4 provides comparative information on fiscal 2021 State lottery revenues.

Exhibit 11.4
Comparison of Lottery Revenues in Maryland and Neighboring States
Fiscal 2021

State	Total Sales[1] ($ in Millions)	Per Capita Sales	Agent Comm.	Ticket Sales as % of GDP[2]	Use of Funds
Maryland	**$2,611.2**	**$424**	**7.6%**[3]	**0.60%**	**General Fund, Maryland Stadium Authority, Horse Racing, Veterans**
Delaware	233.8	233	5.0%	0.29%	General Fund
Pennsylvania	5,420.0	418	5.0%	0.64%	Senior Citizens Programs
Virginia	3,259.0	377	5.0%	0.55%	Education
Washington, DC	225.6	337	5.0%	0.15%	General Fund
West Virginia	249.3	140	7.0%	0.28%	Education, Senior Citizens, Tourism, Veterans

GDP: Gross Domestic Product

[1] Does not include video lottery terminal, table game, or sports wagering revenue for Delaware, Maryland, Pennsylvania, and West Virginia.
[2] GDP based on U.S. Bureau of Economic Analysis data.
[3] Includes base commission and special bonuses authorized by statute.

Note: Percentages may not sum due to rounding.

Source: *La Fleur's 2022 World Lottery Almanac*, State Lottery and Gaming Control Agency

Sections of the Maryland Annotated Code

State Government Article, Title 9, Subtitle 1

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Casino Gaming

The State of Maryland has authorized video lottery operation licenses in Allegany, Anne Arundel, Cecil, Prince George's, and Worcester counties and Baltimore City with a maximum number of 16,500 video lottery terminals allotted in the State. Licensees are also authorized to have table games with approval of the State Lottery and Gaming Control Commission.

Video lottery terminal gambling in Maryland was first authorized by Chapters 4 and 5 of the 2007 special session. Chapter 5 was a constitutional amendment approved by the voters at the November 2008 general election that authorized the expansion of gambling subject to specified restrictions. Chapter 4, which was contingent on ratification of Chapter 5, established the operational and regulatory framework for the video lottery terminal program. The Video Lottery Facility Location Commission was established in the law to solicit and evaluate proposals and award video lottery operation licenses.

Chapter 4 specified geographic locations and video lottery terminal allocations for authorized video lottery facilities in Allegany (within the Rocky Gap State Park), Anne Arundel, Cecil, and Worcester counties and Baltimore City.

During the second special session of 2012, the General Assembly adopted Chapter 1 authorizing a video lottery operation license to be awarded for a video lottery facility at a location in Prince George's County. Chapter 1 authorized video lottery operation licensees to remain open to the public 24 hours per day, seven days per week and to also operate table games.

The General Assembly may only authorize additional forms or expansion of gaming if approved through a referendum by a majority of voters in a general election. The provisions of Chapter 1 authorizing the expansion of gaming in the State were approved by voter referendum at the November 2012 general election.

Video Lottery Terminal Implementation

The first video lottery operation licenses were awarded by the Video Lottery Facility Location Commission in fall 2009. Hollywood Casino Perryville, in Cecil County, opened in September 2010 and is operating approximately 703 video lottery terminals and 18 table games. Ocean Downs, in Worcester County, opened in January 2011 and is operating 848 video lottery terminals and 19 table games. Live! Casino & Hotel operates approximately 3,760 video lottery terminals and 184 table games in a facility adjacent to Arundel Mills Mall in Anne Arundel County that opened in June 2012. Rocky Gap Casino Resort operates a video lottery facility at the Rocky Gap Lodge and Resort; that facility opened in May 2013 and has 629 video lottery terminals and 16 table games. Horseshoe Casino Baltimore operates a video lottery facility in Baltimore City. The facility opened in August 2014 and operates approximately 1,532 video lottery terminals and 137 table games. MGM National Harbor, located in Prince George's County, opened in December 2016 and is operating approximately 2,099 video lottery terminals and 210 table games.

Distribution of Video Lottery Proceeds

Gross video lottery terminal proceeds are generally distributed from the proceeds of video lottery terminals at each facility, as follows:

- ***Business Investment:*** 1.5% to a small, minority, and woman-owned business investment account (revenue has been redirected in recent years to the General Fund and the Education Trust Fund);

- ***Lottery (Administration):*** 1.0% to the State lottery for administrative costs, with other costs provided for in the State budget;

- ***Local Impact Grants:*** 5.5% to local governments in which a video lottery facility is operating (described further following);

- ***Purse Dedication Account:*** 6.0% to a purse dedication account to enhance horse racing purses and funds for the horse breeding industry, not to exceed $100 million annually;

- ***Racetrack Facility Renewal Account:*** 1.0% (except for the Allegany County facility) for a 16-year period from the start of operations to the Racetrack Facility Renewal Account, not to exceed $20 million annually;

- ***Licensee (Operator):*** no more than 33.0% to video lottery operation licensees, except for licensees operating in Allegany (50.0% for the first 10 years, reduced to 48% thereafter), Worcester (43.0%), Cecil (36% beginning July 1, 2023), and Prince George's counties (38%) and the Baltimore City licensee (34% beginning July 1, 2023) and as described following; and

- ***Education Trust Fund:*** remainder to the Education Trust Fund (32.0% to 46.0%).

Since the issuance of the Prince George's County video lottery operation license, the licensee in Baltimore City receives an additional 7% of video lottery terminal revenues, and the Anne Arundel County licensee receives an additional 8% of video lottery terminal revenues at the facility for (1) required marketing, advertising, and promotional costs or (2) capital improvements at the video lottery terminal facility. A licensee receives an additional 6% (8% for the Anne Arundel County licensee and 10% to the licensees in Allegany and Worcester counties) for owning or leasing video lottery terminal devices and the associated equipment and software.

Of the video lottery terminal revenues dedicated to local impact grants, $200,000 is distributed annually to Allegany and Worcester counties, $130,000 is distributed to Cecil County, $120,000 is distributed to the Town of Forest Heights, and $70,000 is distributed to the Town of Perryville. Additionally, 100% of the local impact grants from the proceeds of the video lottery facilities in Allegany, Cecil, and Worcester counties are distributed to those jurisdictions. Through fiscal 2032, of the remainder, 18% goes to Baltimore City through the Pimlico Community Development Authority with $1 million of the 18% going to Prince George's County for the community surrounding Rosecroft Raceway; $500,000 of the 18% going to Anne Arundel County, Howard County, and Laurel; $3.5 million of the 18% going to the State Lottery Fund; and the greater of $2.4 million or 24% of the 18% going to Park Heights Renaissance, Inc. The remainder goes to Baltimore City and Anne Arundel and Prince George's counties. Local impact grants must generally be used for improvements primarily in communities by video lottery facilities and be used for infrastructure improvements, facilities, public safety, sanitation, economic and community development, and other public services and improvements.

Table Games

The State Lottery and Gaming Control Commission allows the holder of a video lottery operation license to offer specified table games and regulates table game operations. Prior to the issuance of the Prince George's County video lottery operation license, 80% of table game revenues were distributed to licensees and 20% of table game revenues were distributed to the Education Trust Fund. Since the issuance of the Prince George's County license, licensees continue to receive 80% of table game revenues; however, of the balance, 15% is distributed to the Education Trust Fund, and 5% is distributed to local jurisdictions where a video lottery terminal facility is located. Proceeds distributed to Baltimore City must be used equally to fund school construction projects and for the maintenance, operation, and construction of recreational facilities.

The State is prohibited from charging a table game license fee. However, the State Lottery and Gaming Control Commission established an annual $500 fee for each table game to benefit the Problem Gambling Fund. Authorized table games are defined as:

- roulette, baccarat, blackjack, craps, big six wheel, minibaccarat, poker, pai gow poker, and sic bo – or any variation and composites of these games; and

- gaming tournaments in which players compete against one another in one or more of the games previously described.

Gaming Revenue

Exhibit 11.5 shows actual and anticipated video lottery terminal and table game revenues for fiscal 2015 through 2023 (not including one-time initial license fees) by facility. **Exhibit 11.6** shows the same revenues (not including one-time initial license fees) by fund.

Exhibit 11.5
Gaming Revenues Generated by Facility
Fiscal 2015-2023 Est.
($ in Millions)

	2015	2016	2017	2018	2019	2020	2021	2022	2023 Est.
VLTs									
Allegany	$38.0	$41.3	$45.1	$46.5	$48.9	$36.8	$53.4	$56.4	$57.2
Anne Arundel	391.8	408.8	371.9	369.5	411.8	315.8	432.7	489.6	497.0
Baltimore City	131.9	168.3	168.7	156.3	144.6	96.4	137.4	139.1	139.8
Cecil	66.1	65.7	63.1	64.9	65.2	48.2	75.4	80.6	81.3
Prince George's			177.5	345.3	384.8	279.4	386.6	449.5	458.5
Worcester	53.1	57.6	59.6	64.1	69.8	52.6	75.0	83.1	84.3
Total VLTs	**$681.0**	**$741.7**	**$885.9**	**$1,046.7**	**$1,125.1**	**$829.3**	**$1,160.4**	**$1,298.2**	**$1,318.0**
Table Games									
Allegany	$6.6	$6.6	$7.6	$7.6	$7.2	$5.6	$7.2	$7.2	$7.3
Anne Arundel	233.8	242.0	219.8	190.1	177.6	133.7	189.8	201.3	208.4
Baltimore City	104.1	142.1	135.3	110.8	105.6	65.8	62.2	66.5	67.8
Cecil	11.9	11.6	11.3	10.4	9.6	7.6	11.1	11.9	11.9
Prince George's			160.9	310.0	326.6	231.5	305.6	311.0	320.6
Worcester				3.3	8.6	6.5	9.4	10.8	11.1
Total Table Games	**$356.4**	**$402.3**	**$535.1**	**$632.3**	**$635.2**	**$450.7**	**$585.3**	**$608.7**	**$627.1**
Total VLT and Table Games	**$1,037.4**	**$1,144.0**	**$1,420.9**	**$1,679.0**	**$1,760.4**	**$1,280.0**	**$1,745.7**	**$1,907.0**	**$1,945.2**

VLT: video lottery terminal

Note: Figures may not sum due to rounding.

Source: Department of Legislative Services

Exhibit 11.6

Gaming Revenues Generated by Fund

Fiscal 2015-2023 Est.

($ in Millions)

	2015	2016	2017	2018	2019	2020	2021	Est. 2022	Est. 2023
VLTs									
Education Trust Fund	$316.1	$322.0	$361.7	$401.8	$447.4	$329.2	$443.6	$496.5	$504.1
Lottery Operations	11.9	7.8	9.3	10.5	11.2	8.3	11.6	13.0	13.2
Purse Dedication Account	46.0	50.1	54.6	61.2	65.9	48.5	67.8	75.9	77.1
Racetrack Renewal Account	7.1	7.0	8.4	10.0	10.8	7.9	11.1	12.4	12.6
Local Impact Grants	36.4	39.7	47.5	56.8	61.1	45.0	62.9	70.4	71.5
Business Investment	9.9	10.8	12.9	0.0	0.0	0.0	17.0	19.1	19.3
General Fund	0.0	0.0	0.0	15.3	0.0	0.0	0.0	0.0	0.0
Licensees	253.6	304.3	391.3	491.0	528.8	390.3	546.5	611.0	620.3
Total VLTs	**$681.0**	**$741.7**	**$885.9**	**$1,046.7**	**$1,125.2**	**$829.3**	**$1,160.4**	**$1,298.2**	**$1,318.1**
Table Games									
Education Trust Fund	$71.3	$80.5	$89.5	$94.8	$95.3	$67.6	$87.8	$91.3	$94.1
Local Impact Grants	0.0	0.0	17.6	31.6	31.8	22.5	29.3	30.4	31.4
Licensees	285.1	321.8	428.1	505.8	508.2	360.6	468.3	487.0	501.7
Total Table Games	**$356.4**	**$402.3**	**$535.1**	**$632.3**	**$635.2**	**$450.7**	**$585.3**	**$608.7**	**$627.1**
Total VLT and Table Games	**$1,037.4**	**$1,143.9**	**$1,420.9**	**$1,679.0**	**$1,760.4**	**$1,280.0**	**$1,745.7**	**$1,907.0**	**$1,945.2**
Education Trust Fund	**$387.4**	**$402.5**	**$451.2**	**$496.7**	**$542.7**	**$396.8**	**$531.4**	**$587.8**	**$598.2**

VLT: video lottery terminal

Note: Revenues to the Small, Minority, and Women-Owned Businesses Account were redirected to the General Fund in fiscal 2018 and to the Education Trust Fund in fiscal 2019 and 2020.

Source: Department of Legislative Services; Board of Revenue Estimates

Unclaimed Winnings

A video lottery terminal player has 182 days to claim a winning jackpot. After 182 days, the prize money becomes the property of the State and is distributed as video lottery terminal proceeds.

Administration

The State Lottery and Gaming Control Agency is the administrative entity with the State Lottery and Gaming Control Commission providing oversight.

Penalties

The State Lottery and Gaming Control Commission may deny a license to an applicant; reprimand or fine a licensee; or suspend or revoke a license and impose a fine not exceeding $5,000 for violating gaming laws, regulations, or conditions that the State Lottery and Gaming Control Commission sets.

History of Major Changes

2007* – Establishes the framework for video lottery terminal gaming in Maryland, subject to voter approval at the 2008 general election.

2008 – Maryland voters amend the State Constitution to allow for video lottery terminal gaming.

2010 – The Cecil County facility opens in September.

2011 – The Worcester County facility opens in January.

2012 – The Anne Arundel County facility opens in June.

– *Authorizes the Video Lottery Facility Location Commission to award a license for a video lottery facility in Prince George's County, subject to voter approval at the 2012 general election.

– *Increases from 15,000 to 16,500 the maximum number of video lottery terminals that the State Lottery and Gaming Control Commission may authorize, subject to voter approval at the 2012 general election.

– *Authorizes a video lottery licensee to offer table games, subject to voter approval at the 2012 general election.

– *Transfers leasing/ownership of most video lottery terminals from the State to licensees.

– *Renames the State Lottery Agency and reconstitutes and renames the State Lottery Commission as the State Lottery and Gaming Control Commission.

– *Authorizes video lottery facilities to operate 24 hours per day.

– Voters approve the gaming referendum in November.

2013 – The Allegany County (Rocky Gap) facility opens in May.

– Facilities begin to offer table games in Allegany, Anne Arundel, and Cecil counties.

– The Video Lottery Facility Location Commission awards a Prince George's County casino operator's license to MGM National Harbor, LLC.

2014 – The Baltimore City facility opens in August.

2015 – Leasing/ownership of video lottery terminals transferred from the State to Anne Arundel County and Cecil County licensees.

2016 – The Prince George's County facility opens in December.

2017 – The Worcester County facility begins to offer table games.

– Leasing/ownership of video lottery terminals transferred from the State to Allegany County and Worcester County licensees.

2019 – The State Lottery and Gaming Control Commission's authority to increase the distribution of video lottery terminal proceeds to certain licensees is repealed.

2021 – The distribution of video lottery terminal proceeds is altered for the Allegany County, Baltimore City, and Cecil County licensees.

* Special session.

Sections of the Maryland Annotated Code

State Government Article, Title 9, Subtitle 1A

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Sports Wagering and Fantasy Competitions

In Maryland, legalized sports wagering is considered an expansion of commercial gaming. Chapter 492 of 2020 authorized sports and event wagering generally, subject to voter referendum, which was approved by Maryland voters in November 2020. The Act also provided that revenues from sports and event wagering must primarily be used for public education.

Chapter 356 of 2021 implemented sports and event wagering in the State and provided for regulation of sports wagering by the State Lottery and Gaming Control Commission. The Act also established the Sports Wagering Application Review Commission to review and award applications for sports wagering facility and mobile sports wagering licensure.

In addition to the regulation of sports wagering, Chapter 356 required fantasy competition operators to register with the State Lottery and Gaming Control Commission before offering a fantasy competition or related services in the State and required fantasy competition operators to remit 15% of their proceeds to the State Lottery and Gaming Control Commission, which in turn distributes the funds to the Blueprint for Maryland's Future Fund.

On award of a license by the Sports Wagering Application Review Commission, the State Lottery and Gaming Control Commission must issue a license to an applicant that meets the requirements for licensure. There are 13 Class A and 7 Class B sports wagering facility licensees designated under the law, which are identified in **Exhibit 11.7**. Designated sports wagering facility licensees include video lottery operators with more than 1,000 VLTs and specified professional sports franchises (Class A-1), video lottery operators with 1,000 or fewer VLTs and a specified horse racing licensee (Class A-2), and the Maryland State Fairgrounds and certain satellite simulcast betting and commercial bingo facilities (Class B-1 or B-2). Class B-2 licenses are reserved for applicants with (1) fewer than 25 employees or (2) less than $3,000,000 in annual gross receipts. Applicants may also compete for an additional 30 Class B facility licenses and 60 mobile sports wagering licenses; however, a Class B license may not be awarded to an applicant whose facility is located within specified radiuses of Class A or Class B facilities.

Exhibit 11.7
Designated Sports Wagering Facility Licensees

License	Application Fee	Designated Licensees
Class A-1	$2,000,000	• Three video lottery facilities – Live! in Anne Arundel County, Horseshoe in Baltimore City, and MGM National Harbor in Prince George's County • Three professional sports stadiums/teams – M&T Bank Stadium, Oriole Park in Baltimore City, and FedEx Field in Prince George's County • Owner of a professional hockey, basketball, or soccer franchise that leases a stadium in Maryland
Class A-2	$1,000,000	• Three video lottery facilities – Rocky Gap in Allegany County, Hollywood in Cecil County, and Ocean Downs in Worcester County • Maryland Jockey Club (operator of Laurel Park and Pimlico racecourses)
Class B	B-1: $250,000 B-2: $50,000	• Maryland State Fairgrounds • Four off-track betting locations – Greenmount Station in Carroll County, Riverboat on the Potomac in Charles County, Long Shot's in Frederick County, and Jockey Bar and Grille in Washington County • Two commercial bingo facilities with at least 200 machines – Bingo World in Anne Arundel County and Rod 'N' Reel in Calvert County

Source: Department of Legislative Services

Mobile license applicants must pay a $500,000 application fee. Mobile wagers are restricted to individuals physically located in the State. The Sports Wagering Application Review Commission must actively seek to achieve racial, ethnic, and gender diversity when awarding Class B facility and mobile licenses and encourage small, minority, and women-owned businesses to apply.

Distribution of Sports Wagering Proceeds

Licensees retain 85% of sports wagering proceeds, with the remainder distributed to the Blueprint for Maryland's Future Fund. Revenues accruing to the Blueprint for Maryland's Future Fund are to be used to provide a world-class education for early childhood and K-12 students so that they are prepared for college and a career in the global economy.

From the application and license renewal fees collected for sports wagering licenses, the Comptroller must pay (1) an amount to the State Lottery and Gaming Control Agency necessary to reimburse the agency for expenses related to the issuance and renewal of sports wagering licenses; (2) 5% collected for Class A-1 and A-2 licenses to the Small, Minority-Owned, and Women-Owned Business Sports Wagering Assistance Fund, the purpose of which is to provide grants or loans to small, minority-owned, and women-owned businesses to facilitate participation in the sports wagering industry; and (3) the remainder to the Blueprint for Maryland's Future Fund.

Sports Wagering Revenues

Sports wagering launched in Maryland on December 9, 2021, at MGM National Harbor. Live! Casino, Horseshoe Casino, Ocean Downs Casino, and Hollywood Casino began their sports wagering operations with openings occurring from December 10, 2021, to December 23, 2021. The sports wagering handle for fiscal 2022 (December 9, 2021 to June 30, 2022) totaled nearly $175 million with the hold percentage for settled wagers being 11.2%. Sports wagering contributed $2.9 million to the Blueprint for Maryland's Future Fund in fiscal 2022.

Unclaimed Wagers

A winning wager on a sporting event that is not claimed by the winner within 182 days after the wager is won becomes the property of the State and is distributed to the Problem Gambling Fund.

Administration

The State Lottery and Gaming Control Agency is the administrative entity with the State Lottery and Gaming Control Commission providing oversight.

Penalties

The State Lottery and Gaming Control Commission may deny a license to an applicant; reprimand or fine a licensee; or suspend or revoke a license and impose a fine not exceeding $5,000 for violating sports wagering laws, regulations, or conditions that the State Lottery and Gaming Control Commission sets.

History of Major Changes

2020 – Authorized sport and event wagering by a constitutional amendment approved by the voters at the November 2020 general election, contingent upon implementation legislation passed by the General Assembly.

2021 – Established the operational and regulatory framework for the State's sports wagering program.

– Required fantasy competition operators to register with the State Lottery and Gaming Control Commission before offering a fantasy competition or related services in the State.

2022 – Altered Class B license exclusion zones and prohibited admissions and amusement taxes from being imposed on any proceeds from sports wagering.

Sections of the Maryland Annotated Code

State Government Article, Title 9, Subtitles 1D and 1E

Chapter 12. Overview of Additional Revenue Sources

In addition to the taxes, State lottery, casino gaming, and transportation already discussed in this handbook, additional revenues for the fiscal 2023 budget are derived from a wide range of sources; however, several specific areas account for a substantial portion of the total. The single largest source of nontax revenues is federal funds. These revenues are earmarked for a broad range of State programs. The State's higher education institutions generate revenues primarily from tuition, fees, and educational and auxiliary sales; those revenues are used to pay for the operating costs of the State's public universities and colleges. The remaining revenues are derived from a wide variety of user fees, charges, investment earnings, and other miscellaneous sources that are described in the following chapters. **Exhibit 12.1** provides a summary of the revenues received by general, special, and federal funds for each department of State government.

Presentation of Information

The amounts shown in Exhibit 12.1 and in the following chapters may not necessarily correlate with the figures shown in Exhibit 1.2 of this handbook. The figures from Exhibit 1.2 are based primarily on estimates in the Department of Budget and Management's *Fiscal Digest*. The estimates in Exhibit 12.1 and in Chapters 13 through 19 of this handbook have been modified and recategorized in some ways to more accurately represent the actual annual flow of revenues by category to the departments and agencies involved.

Detailed information was derived from the *Fiscal 2023 State Budget Books*, representatives from various departments and agencies, and analysts within the Department of Legislative Services. While based on estimates contained in the *Fiscal Digest*, the fiscal 2023 estimates shown in Exhibit 12.1 and in the following chapters for each department or division within a department may differ from those in the *Fiscal Digest* for several reasons. First, revenue sources that are attributed to a specific department for budgeting purposes but are collected by a different agency or through a different revenue source are included in estimates at the source. For example, the Waterway Improvement Fund of the Department of Natural Resources is described and accounted for under the discussion of the excise tax on vessels in "Chapter 9. Miscellaneous Taxes."

Exhibit 12.1
Revenue Sources by Department/Category
Fiscal 2023 Estimates
($ in Millions)

	General Funds	Special Funds	Federal Funds	Total
Chapter 13				
Bond Proceeds	$1,425.0[1]	$510.0		$1,989.1
Chapter 14				
Higher Education		$4,826.8		$4,826.8
Higher Education Support Agencies		26.4	$0.4	26.8
Public Education		939.6	1,527.3	2,466.9
Chapter 15				
Health	$160.1	$1,495.3	$10,108.5	$11,763.9
Cigarette Restitution Fund		145.3		145.3
Human Services		163.6	2,760.3	2,923.9
Juvenile Services		2.2	6.9	9.1
Chapter 16				
Commerce		$56.5	$27.2	$83.7
Housing and Community Development		131.0	698.8	829.9
Chapter 17				
Environment		$349.7	$252.1	$601.9
Agriculture		106.1	7.8	113.9
Natural Resources		422.6	43.9	466.5
Chapter 18				
Public Safety	$8.4	$78.6	$28.0	$115.0
State Police and State Fire Marshal	5.4	120.7	10.5	136.6
Chapter 19				
Financial and Revenue Administration	$113.9	$44.5		$158.4
Judicial and Legal	112.3	134.6	$6.8	253.7
Labor		248.5	250.2	498.7
Executive and Administrative		269.5	212.0	481.5
Retirement		21.5		21.5
Total	**$1,825.1**	**$10,093.0**	**$15,940.7**	**$27,913.1**

[1] Authorizations totaled $1,479 million. This amount reflects long-standing practice to deduct deauthorizations, which totaled $54 million, to reflect net new authorizations.

Note: Detail may not add to total due to rounding.

Source: *Fiscal Digest of the State of Maryland for the Fiscal Year 2023*, Department of Budget and Management; *Fiscal 2023 State Budget Books*; Department of Legislative Services

In addition, miscellaneous revenue sources (generally those representing less than $1 million) are described and accounted for at the end of each section. This may understate the revenues attributed to a specific division within a department compared to the *Fiscal Digest* estimate.

Chapter 13. Bond Proceeds

Bond proceeds represent debt financing. The State borrows money by selling bonds that are redeemed in subsequent years through the payment of debt service. Debt financing is restricted almost exclusively to capital expenditures. The ongoing operations of the State are paid for from current funds.

As bonds are issued (sold), they generate revenues that are used to support the State's capital programs. In addition to bonds, the fiscal 2023 capital program is funded by bond premiums ($259.8 million), general funds ($2,057.6 million), special funds ($1,832.7 million), federal funds ($1,880.1 million), and revenue bond proceeds ($510.0 million). **Exhibit 13.1** lists the authorized bond issuance levels for fiscal 2023 of the various types of government activity bonds – general obligation bonds, transportation bonds, and revenue bonds. Each type of bond is discussed further in this chapter.

Exhibit 13.1
Authorized Bond Issuances
Fiscal 2023
($ in Millions)

Bond Type	Authorized Amount
General Obligation Bonds	$1,425.0[1]
Transportation Bonds	0.0
Revenue Bonds	510.0
Total	**$1,989.1**

[1]This amount reflects long-standing practice to deduct deauthorizations, which totaled $54 million, to reflect net new authorizations.

Source: Department of Legislative Services

General Obligation Bonds

General obligation bonds are authorized and issued to pay for the construction, renovation, or equipping of facilities for State, local government, and private-sector entities. Projects funded with general obligation bonds include, but are not limited to, public and private colleges and universities, public school and community college construction, prisons and detention centers, and hospitals.

The Maryland Constitution prohibits the issuance of general obligation debt unless in the same act authorizing the debt, an annual tax or taxes are levied sufficient to pay debt service within 15 years. Repeal of the dedicated tax or its use for other purposes until the debt is repaid is also prohibited. As a uniform practice, each debt authorization pledges toward repayment an *ad valorem* property tax on all taxable property in the State. The Board of Public Works is required annually to set a State property tax rate by May 1 that will produce revenue sufficient to meet debt service requirements.

For fiscal 2023, the General Assembly authorized the issuance of $1,479 million in general obligation bonds to help support a capital program totaling $7,760 million. The General Assembly also deauthorized $54.4 million in previously authorized general obligation debt. **Exhibit 13.2** shows the distribution of general obligation bond proceeds.

Exhibit 13.2
Distribution of General Obligation Bond Proceeds
Fiscal 2023
($ in Millions)

Agency/Project	Amount
State Facilities	$24.7
Health/Social	35.0
Environment	126.5
Public Safety	3.8
Education	466.7
Higher Education	195.1
Housing/Community Development	14.7
Local Projects	612.6
Deauthorizations	-54.4
Total	**$1,425.0**

Note: Detail may not add to total due to rounding.

Source: Department of Legislative Services

Transportation Bonds

Transportation bonds are issued by the Maryland Department of Transportation to finance transportation-related projects. Like general obligation bonds, these bonds must be paid with revenues from specific taxes as required by the Constitution. Motor fuel and titling taxes and portions of corporate income tax revenues and rental car sales tax revenues are currently pledged to pay the principal and interest on these bonds. The department may also issue grant anticipation notes, bond anticipation notes, and revenue anticipation notes.

Revenue Bonds

Certain agencies of State government are authorized to borrow money under laws that in most instances expressly provide that the loan obligations do not constitute a debt or a pledge of the full faith and credit of the State. The principal and interest on bonds issued by these bodies are usually payable solely from fees generated from the use of facilities or enterprises financed by the bonds.

Projects financed by revenue bonds can be divided into two general categories – traditional governmental activities and private purposes. Traditional governmental activities include transportation projects, the construction of public educational facilities, and water and sewer treatment facilities. Agencies that issue traditional governmental activity revenue bonds are the Community Development Administration of the Department of Housing and Community Development, higher education institutions (including the University System of Maryland, St. Mary's College of Maryland, Morgan State University, and Baltimore City Community College), the Maryland Transportation Authority, the Maryland Water Quality Financing Administration, the Maryland Environmental Service, and the Maryland Stadium Authority.

For a further discussion of revenue bonds issued by the Maryland Stadium Authority for the Built to Learn school construction program, see *Volume IX – Education in Maryland*.

Private activity bonds are securities issued to provide financing for projects that are generally used by private users. They can be issued for such purposes as housing, hospitals, private higher education, economic development, and energy conservation. State entities that issue private purpose bonds include the Maryland Economic Development Corporation, the Maryland Health and Higher Education Facilities Authority, and the Maryland Industrial Development Financing Authority.

Legislative Handbook Series Cross-reference

Volume IV – Maryland's Budget Process

Chapter 14. Education

State Colleges and Universities

Funding for public higher education institutions for fiscal 2023 is projected to total $6.7 billion, which is comprised of higher education revenues and State general and Higher Education Investment funds. Higher education revenues include non-State revenues such as tuition and fees, auxiliary enterprises, grants and contracts, and Higher Education Emergency Relief Funds III received by Maryland public four-year institutions and Baltimore City Community College, which is the only State-operated community college. The other 15 community colleges, which are locally operated, also receive State funds, but the non-State revenues do not pass through the State budget.

A summary of the estimated fiscal 2023 revenues from Maryland's public colleges and universities is shown in **Exhibit 14.1**. Higher education revenues are expected to total $4.8 billion in fiscal 2023, accounting for 72% of the revenues used to support public higher education institutions. State general and Higher Education Investment funds, totaling $1.9 billion, make up the remainder of the funding and are not shown in Exhibit 14.1. The first part of the exhibit shows the revenues generated by the University System of Maryland and other public institutions, while the second part summarizes revenues by source.

Higher education revenues are classified as either unrestricted or restricted funds, unlike other State agencies that categorize revenues as general, special, or federal funds. Unrestricted funds may be spent at the discretion of the institution to support general operations, such as instruction, research, or auxiliary enterprises. Restricted funds are available to support operations but are restricted by the donor or outside entity to be spent on specific programs, departments, or schools. Most revenues from the State and tuition and fees are unrestricted, while most federal and contract revenues are restricted.

Tuition and Fees

Tuition and fee revenues in fiscal 2023 are expected to total $1.9 billion, accounting for the largest source of higher education unrestricted fund revenues. State funds, which are not shown in Exhibit 14.1, are the next highest revenue source. Institutions set tuition and fee rates, which vary by campus and education programs, through their respective governing boards. Actual tuition and fee revenues can vary significantly from the initial estimate, depending on the accuracy of institutions' enrollment projections. In recent years, institutions have tended to overestimate tuition and fee revenues, resulting in subsequent budget amendments to withdraw revenues.

Exhibit 14.1
Higher Education Revenues
Fiscal 2023
($ in Thousands)

System/Institution	**Institutional Revenues**
University System of Maryland	$4,553,202
Morgan State University	185,294
St. Mary's College of Maryland	48,403
Baltimore City Community College	39,906
Total	**$4,826,805**

Revenues by Source	**Unrestricted Funds**	**Restricted Funds**	**Total**
Tuition and Fees	$1,929,067	$0	$1,929,067
Auxiliary and Education Sales	950,907	0	950,907
Federal Grants and Contracts	168,426	927,624	1,096,050
State and Local Grants and Contracts	21,286	206,141	227,426
Private Gifts, Grants, and Contracts	62,020	198,377	260,397
HEERF III		32,925	32,925
Endowment Income and Other	112,824	217,209	330,033
Total	**$3,244,530**	**$1,582,275**	**$4,826,805**

HEERF: Higher Education Emergency Relief Fund

Note: Numbers may not sum to total due to rounding.

Source: *Fiscal 2023 State Budget Books*; Department of Legislative Services

For the 2021-2022 academic year (fiscal 2022), tuition and fees (excluding room and board) averaged $9,983 for full-time resident students at Maryland's public four-year institutions and $22,921 for out-of-state students. As shown in **Exhibit 14.2**, the expected average increase in tuition and fees for the 2022-2023 academic year (fiscal 2023) is 2.0% to $10,187 for resident undergraduate students and 3.0% to $23,635 for out-of-state students. Maryland undergraduate residents at four-year public institutions are projected to account for approximately 80.6% of the overall undergraduate full-time equivalent student population in fiscal 2023.

Exhibit 14.2
Full-time Undergraduate Tuition and Mandatory Fees
Fiscal 2022 and 2023

	In-state		Out-of-state	
	2022	2023	2022	2023
University System of Maryland				
College Park	$10,955	$11,136	$36,891	$39,760
Bowie State	8,563	8,727	19,304	19,518
Towson	10,462	10,730	25,514	26,732
Eastern Shore	8,729	8,898	19,348	19,730
Frostburg State	9,594	9,804	24,080	24,684
Coppin State	6,809	6,904	13,334	13,559
University of Baltimore	9,364	9,522	21,972	22,974
Salisbury	10,258	10,396	20,528	20,872
Global Campus[1]	9,630	9,810	15,420	15,420
Baltimore County	12,302	12,560	28,979	29,324
Morgan State University	8,008	8,328	18,480	19,219
St. Mary's College of Maryland	15,124	15,428	31,201	31,826
Unweighted Average	**$9,983**	**$10,187**	**$22,921**	**$23,635**

[1] Tuition and annual fee for 15 credits per semester.

Source: *Fiscal 2023 State Budget Books*

Auxiliary and Educational Sales

Auxiliary enterprises are expected to generate $722.2 million in unrestricted fund revenues in fiscal 2023. These revenues are collected from self-supporting activities that provide goods and services to students, faculty, and staff in exchange for a fee, such as parking, housing, and food service.

Educational sales are projected to generate $228.7 million in unrestricted revenues in fiscal 2023. Revenues are derived from the sales and services of educational and research services or materials and include income from conferences, charges for duplicating services, income from demonstration day care programs, special summer programs (*e.g.*, camps and festivals), and special instruction for high school students.

Federal Grants and Contracts

Unrestricted revenues from federal grants and contracts are expected to total $168.4 million in fiscal 2023. These funds cover overhead expenses and the costs associated with research activities, such as salaries, fuel costs, and space rental. Similar to tuition and fee revenues, these revenues can be difficult for institutions to estimate accurately.

Revenues from federal grants and contracts comprise the largest portion of higher education restricted revenues, estimated to total $927.6 million in fiscal 2023, and are used to fund specific research projects. Federal government agencies, specifically the National Institutes of Health, the National Science Foundation, and defense agencies, impose strict guidelines on the types of research or services to be performed with this funding.

State and Local Grants and Contracts

State and local grants and contracts, similar to the previously mentioned federal grants and contracts, are projected to generate $21.3 million in unrestricted revenues in fiscal 2023 to support administrative expenses related to research activities. Restricted fund revenues are expected to total $196.3 million to support grants and contracts for specific research or services funded by State and local governments, including $9.9 million in special funds from the Maryland Emergency Medical Services Operations Fund to support the Maryland Fire and Rescue Institute at the University of Maryland, College Park Campus.

Private Gifts, Grants, and Contracts

Private gifts, grants, and contracts are expected to generate $62.0 million in unrestricted funds and $198.4 million in restricted fund revenues in fiscal 2023. Gifts can be in the form of cash or in-kind contributions, such as equipment. If the gift is restricted, it must be used according to the guidelines set forth by the donor. Gifts are received from both individuals and corporations.

Endowment Income and Other Revenues

Endowment income and other revenues are anticipated to provide $111.3 million and $217.2 million in unrestricted and restricted fund revenues, respectively, in fiscal 2023. Revenues are composed of investment income and miscellaneous revenues from activities, such as facility rentals.

Higher Education Support Agencies

A summary of the estimated fiscal 2023 revenues to be collected by the higher education support agencies is presented in **Exhibit 14.3**. The first part of the exhibit shows the revenues according to the agency or program that primarily generates it; the second part is a summary of the same revenues, shown by source.

Exhibit 14.3
Higher Education Support Agency Revenues
Fiscal 2023
($ in Thousands)

	Special Funds	Federal Funds	Nonbudgeted Funds	Total
Revenues by Agency				
Maryland Higher Education Commission	$26,379	$405		$26,784
Maryland 529/Achieving a Better Life Experience			$5,567	5,567
Total	**$26,379**	**$405**	**$5,567**	**$32,352**
Revenues by Source				
Guaranteed Student Tuition Fund	$178			$178
John R. Justice Prosecutors and Defenders Incentive Act		$39		39
Veterans Dependency and Indemnity Compensation for Service-connected Death		367		367
Janet L. Hoffman Loan Assistance Repayment Program	65			65
Nurse Support Program II	18,136			18,136
Community College Facilities Renewal Grant Program				
Teaching Fellows for Maryland Scholarships	8,000			
Maryland 529/Achieving a Better Life Experience			$5,567	5,567
Total	**$26,379**	**$405**	**$5,567**	**$32,352**

Note: Figures may not sum due to rounding. Excludes special funds from the Need-based Student Financial Assistance Fund, the Moving Violations Surcharge-Volunteer Company Assistance Fund, and academic program approval fees and online certification paid by higher education institutions.

Source: *Fiscal 2023 State Budget Books*; Department of Legislative Services

Maryland Higher Education Commission

The Maryland Higher Education Commission is the coordinating body for the State's public and private colleges and universities. The Maryland Higher Education Commission will receive $26.8 million in special and federal fund revenues in fiscal 2023.

The Nurse Support Program Assistance Fund, which accounts for $18.1 million of the total special fund revenue in fiscal 2023, is used to increase the number of bedside nurses and nurse educators in Maryland through the Nurse Support Program II. The program is funded with revenues generated by a 0.1% increase in hospital rates approved by the Health Services Cost Review Commission and provides stipends for nurse faculty and competitive institutional grants to expand nursing program capacity through collaboration between nursing schools and hospitals.

The remaining $8.2 million in special fund revenues is mainly comprised of $8.0 million of Maryland Blueprint funds to support the Teaching Fellows for Maryland Scholarships, as well as $0.2 million paid by for-profit postsecondary institutions to the Guaranteed Student Tuition Fund and $65,000 from *pro hoc vice* fees paid by out-of-state attorneys to practice law in Maryland to support additional Janet L. Hoffman Maryland Loan Assistance Repayment Program awards for lawyers.

The Maryland Higher Education Commission also receives federal funds in fiscal 2023 for veteran's educational assistance ($0.4 million) and the Maryland Loan Assistance Repayment Program for State and federal prosecutors and defenders ($39,000).

Sections of the Annotated Code of Maryland

Education Article, Title 11, Subtitle 4 and Title 18, Subtitles 8, 15, and 28

Legislative Handbook Cross-reference

Volume II – Government Services in Maryland
Volume IX – Education in Maryland

Maryland 529

Maryland 529, formerly named the College Savings Plans of Maryland, is an independent agency that administers two savings plans for higher education: a defined benefit plan – the Senator Edward J. Kasemeyer Prepaid College Trust; and an investment plan – the Senator Edward J. Kasemeyer Maryland College Investment Plan. Separately, Maryland 529 also offers the Maryland Achieving a Better Life Experience Program, which allows certain individuals with disabilities to save for qualified disability expenses. The agency is projected to receive approximately $5.6 million of nonbudgeted funds in fiscal 2023 from enrollment fees, management fees, program contributions, and a grant to administer these programs.

The Prepaid College Trust Program allows participants to lock in future college tuition and fees at Maryland public colleges and universities at today's prices. Participants enter into a contract with the trust for prepayment of tuition and fees for a specified number of year(s) of community college and/or semester(s) or year(s) of university tuition and fees. Costs for a contract are based on the current cost for tuition and fees, the number of years until the child enters college, and anticipated costs of tuition and fees at the time of enrollment. Payments are invested with the intent of covering future costs. The trust is backed by the Maryland Legislative Guarantee that requires the Governor, in instances when current prepaid obligations exceed the market value of the trust's assets, to include in the annual budget funds to cover the shortfall.

The Maryland College Investment Plan allows contributions to an investment account established to provide for tuition, fees, books, supplies, equipment, and room and board for a designated beneficiary. Under the plan, participants accept a level of investment based on their selected investment option. Account values in the investment plan are based solely on contributions and investment performance and are not guaranteed by the State. Taxpayers may claim a State income tax subtraction modification of up to $2,500 annually per account or beneficiary, depending on the plan, for contributions made to one or both college savings plans. For individuals that meet specified income requirements, a State matching contribution of up to $500, in lieu of the State income tax subtraction modification, is also available under the investment plan.

Sections of the Maryland Annotated Code

Education Article, Title 18, Subtitle 19, 19A, and 19B

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume IX – Education in Maryland

Maryland State Department of Education

A summary of fiscal 2023 federal and special fund revenues for the Maryland State Department of Education and related agencies is shown in **Exhibit 14.4**. Department revenues totaled $2.47 billion, which included $939.6 million in special funds and $1.53 billion in federal funds. These funds are primarily directed to local school systems. This exhibit lists revenues according to agency, program, and source; additional explanation of federal stimulus funding for education is discussed later in this chapter.

Exhibit 14.4
Maryland State Department of Education Revenues
Fiscal 2023
($ in Millions)

	Special Funds	Federal Funds	Total
Revenues by Agency/Program			
Primary and Secondary Education	$713.1	$1,055.8	$1,769.0
Early Childhood Development	200.9	248.1	449.0
Rehabilitation Services	3.1	97.6	100.7
Maryland School for the Deaf	0.5	0.4	0.9
Maryland School for the Blind	0.0	1.5	1.5
Other Education	22.1	123.9	145.9
Total	**$939.6**	**$1,527.3**	**$2,466.9**
Revenues by Source for Primary and Secondary Education			
State Share of the Foundation	$217.4	$0.0	$217.4
Children at Risk	5.3	33.6	38.9
Students with Disabilities	94.5	220.9	315.4
Educationally Deprived Children	0.0	282.7	282.7
Innovative Programs	4.8	99.7	104.5
Language Assistance	0.0	10.4	10.4
Career and Technology Education	0.0	15.3	15.3
Food Services	0.0	319.2	319.2
Teacher Development	11.3	28.0	39.3
Blueprint for Maryland's Future Grant Program	66.6	46.0	112.6
Aid to Nonpublic Schools	6.0	0.0	6.0
Broadening Options and Opportunities for Students Today	10.0	0.0	10.0
Subtotal	***$713.1***	***$1,055.8***	***$1,769.0***
Revenues by Source for Early Childhood Development			
At-Risk Early Childhood Grants	$18.9	$18.9	$18.9
Child Care Assistance Grants	11.3	159.3	$170.6
Division of Early Childhood Development	0.0	69.9	$69.9
PreKindergarten	170.7	0.0	$170.7
Subtotal	***$200.9***	***$248.1***	***$449.0***

Note: Student transportation and teacher retirement funds are not included, as they are not supported through special or federal funds. Other education includes federal and special funds for administrative expenses in the Maryland State Department of Education, the Maryland Center for School Safety, major information technology projects, the Healthy School Facility Fund, and the Accountability and Implementation Board. Fiscal 2023 federal funding for the Maryland School for the Blind is estimated.

Sources: *Fiscal Digest of the State of Maryland Fiscal 2023*; Maryland School for the Blind

Primary and Secondary Education

Fiscal 2023 is the first year for funding new programs as mandated in Chapters 36 and 55 of 2021, Blueprint for Maryland's Future – Implementation and Revisions, which are reflected throughout the special fund allocations in this budget. Special and federal funds allocated for primary and secondary education totals $1.77 billion, which includes $1.06 billion in federal funds and $713.1 million in special funds. Out of federal funds, $822.8 million was allocated to three programs: educationally deprived children; food services; and students with disabilities. Educationally deprived children received $282.7 million, with the majority of those funds allocated through Title I of the Elementary and Secondary Education Act; food services received $319.2 million for free and reduced-price breakfasts and lunches for low-income children as part of the federal Healthy, Hunger Free Kids Act of 2010; and students with disabilities received $220.9 million under the federal Individuals with Disabilities Education Act and Medicaid for eligible infants, children, and their families. Innovative programs received $99.7 million, of which $76.9 million is federal stimulus aid to nonpublic schools with the remaining $22.8 million for other programs, including $14.7 million for the Striving Leaders literacy program. Federal stimulus aid for nonpublic schools is discussed later in this chapter.

Remaining federal fund revenues for primary and secondary education in fiscal 2023 include $33.6 million primarily from Title IV, Part B federal funding for after school learning centers for children at risk; $28.0 million improving teacher quality state grants for teacher development; $15.3 million in federal vocational education grants for career and technology education; and $10.4 million in language assistance for students whose first language is not English.

Special funds totaled $939.6 million, of which $713.1 million is allocated for primary and secondary education and $200.9 million is allocated for early childhood education. Starting in fiscal 2023, special fund revenues are primarily from the Blueprint for Maryland's Future Fund (Blueprint Fund), which takes the place of the Education Trust Fund as the primary funding source for Blueprint for Maryland's Future programs. The Blueprint Fund receives additional revenue for early childhood education and primary and secondary education from an allocation of sales and use tax revenues. Chapter 357 of 2018, which was a constitutional amendment approved by the voters, required the Governor to phase in Education Trust Fund supplemental funding for education aid from video lottery terminals and table games to 100% of proceeds by fiscal 2023.

Chapters 36 and 55 allow the Governor to allocate Blueprint funds to both Blueprint programs and State aid programs. Of the $713.1 million in special funds allocated to primary and secondary education, $691.8 million is Blueprint special funds allocated to State-aid programs. These funds include $217.4 million for State Share of the Foundation; $190.3 million for concentration of poverty grants, which provide funding for schools with a certain percentage of students who qualify for free and reduced-price meals; $94.5 million for students with disabilities; $88.2 million for limited English proficient students; $57.7 million for Blueprint transition grants; $18.7 million for college and career readiness; $11.3 million for teacher development, which includes $9.0 million for career ladder for educators and $2.1 million for national board certification fees; $4.8 million for innovative programs; and $4.0 million for transitional supplemental instruction. Non-State aid Blueprint funding in primary and secondary education includes $5.0 million for the department's financial management system and $126,000 in the Division of Student, Family, and School Support.

Other special funds for primary and secondary education included $5.3 million for the School for Educational Evolution and Development, which is the State's public boarding school, and $300,000 for teacher development from a special fund for the National Board of Professional Teaching Standards. The Cigarette Restitution Fund provided $16.0 million in special funds for two programs: $6.0 million for Aid to Nonpublic Schools, which offers textbooks and technology for qualifying nonpublic schools; and $10.0 million for Broadening Options and Opportunities for Students Today, which offers scholarships for private school students who qualify for free and reduced-price meals.

Other federal funds totaled $123.9 million and included $60.8 million for department administration, $40.0 million in federal stimulus funds for the Healthy School Facility Fund as part of school construction funding, and $23.1 million in federal funds allocated to a major information technology project. Other education special funds totaled $22.1 million and included $10.6 million for the Maryland Center for School Safety, which is distributed as grants to local school systems for school resource officers and safe schools under Chapter 30 of 2018; $6.6 million for department administration; and $4.8 million for the Accountability and Implementation Board, which is an independent agency that received Blueprint funds passed through the department.

Sections of the Maryland Annotated Code

Education Article, Title 5, Subtitle 2

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume VI – Maryland Local Government
Volume IX – Education in Maryland

Early Childhood Development

In fiscal 2023, $449.0 million was allocated for early childhood development, which included $248.1 million in federal funds and $200.9 million in special funds. Federal funds for administrative purposes in the department's Division of Early Childhood Development totaled $69.9 million, which the department uses to measure accountability of kindergarten school readiness; provide professional development for early educators and resources for child care access and quality education; license and monitor child care providers; and enforce child care regulations. As part of aid to education, $159.3 million was allocated to Child Care Assistance Grants for child care scholarships for low-income families and grants to enhance quality child care, and

$18.9 million was allocated to At-Risk Early Childhood grants, which is a new program that includes funding for Judy Centers, Patty Centers, and federal birth to five grants.

Special funds for early childhood development support Blueprint programs and are funded with Blueprint funds. In fiscal 2023, these programs include $170.7 million for prekindergarten, which includes grants to expand access to free public prekindergarten programs throughout Maryland and publicly funded full-day prekindergarten grants funded as mandated by the Blueprint; $18.9 million for At-Risk Early Childhood grants; and $11.3 million for Child Care Assistance Grants.

Sections of the Maryland Annotated Code

Education Article, Title 5, Subtitle 2 and Title 9.5, Subtitle 1

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume IX – Education in Maryland

Rehabilitation Services

In fiscal 2023, $100.7 million was allocated for vocational rehabilitation services for disabled citizens. These funds are administered by the department's Division of Rehabilitation Services, which provides programs to prepare individuals for employment and cash payments for those who are unable to work due to total or permanent disability. Field offices throughout the State provide connections to a variety of client services including the Workforce and Technology Center, which provides vocational training and independent living rehabilitation services, and the Office of Blindness and Vision Services, which coordinates services for blind individuals. Special funds totaled $3.1 million, primarily generated by the Blind Vendors Program.

Sections of the Maryland Annotated Code

Education Article, Title 21, Subtitle 3

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume IX – Education in Maryland

Maryland School for the Deaf

The Maryland School for the Deaf is a State-run public school that provides educational and developmental services for deaf children. The school follows the curriculum used in most public schools. For students with multiple disabilities, the school also offers a life-based education program. Maryland residents do not pay tuition, while nonresident students pay tuition at a rate set by the school. Each local school system pays its share of the basic cost of educating the students that is determined by the department. In fiscal 2023, the school received $443,000 in federal funding, primarily from funds under the Individuals with Disabilities Education Act and Medicaid. Special funds totaled $482,000 and represent local school reimbursements, food sales, student fees, and donations.

Sections of the Maryland Annotated Code

Education Article Title 8, Subtitles 3A and 4

Legislative Handbook Series, Cross-references

Volume II – Government Services in Maryland
Volume IX – Education in Maryland

Maryland School for the Blind

The Maryland School for the Blind is a nonpublic school that provides educational and developmental services for blind children. The curriculum is similar to most public schools, with additional services for visually impaired students. As with the Maryland School for the Deaf, each local school system pays its share of the basic cost for each student. In fiscal 2023, the Maryland School for the Blind receives $1.5 million in federal funds, primarily from Individuals with Disabilities Education Act funding and other discretionary federal grants.

Sections of the Maryland Annotated Code

Education Article, Title 8, Subtitles 3 and 4

Legislative Handbook Series, Cross-references

Volume II – Government Services in Maryland
Volume IX – Education in Maryland

Federal Stimulus Funds

In fiscal 2020, 2021, 2022, and 2023, the department received $6.0 billion in federal stimulus funds for local education agencies, early childhood programs, the Maryland School for the Deaf, the Maryland School for the Blind, school construction, and administrative expenses. These funds were distributed as follows: $675.8 million in fiscal 2020; $2.44 billion in fiscal 2021; $2.75 billion in fiscal 2022; and $162.9 million in fiscal 2023. **Exhibit 14.5** shows these funds and their allocations by fiscal year.

Exhibit 14.5
Federal Stimulus Funds for Education
Fiscal 2020-2023
($ in Millions)

Federal Stimulus Funds by Program	2020	2021	2022	2023	Total
Primary and Secondary Education	$197.1	$1,066.9	$1,967.6	$122.9	$3,354.4
Early Childhood Development	458.0	1,288.0	502.3	0.0	2,248.3
Maryland School for the Blind	0.0	0.7	0.0	0.0	0.7
Maryland School for the Deaf	0.0	1.2	0.0	0.0	1.2
School Construction	0.0	0.0	80.0	40.0	120.0
MSDE Administrative	20.8	86.9	195.1	0.0	302.8
Total	**$675.8**	**$2,443.6**	**$2,745.0**	**$162.9**	**$6,027.3**

MSDE: Maryland State Department of Education

Sources: Maryland State Department of Education; Department of Legislative Services

Primary and secondary education received $3.35 billion distributed to local school systems and the School for Educational Evolution and Development either directly or through grants designated for a specific purpose. In fiscal 2020, local school systems received $197.1 million, which included $187.1 million from the Coronavirus Aid, Relief, and Economic Security Act and $10.0 million from departmental funds for reopening grants. In fiscal 2021, local school systems received $1.1 billion, which included $781.9 million from the Coronavirus Response and Relief Supplemental Appropriation; $210.0 million as part of State-distributed allocations from the Coronavirus Relief Fund for K-12 technology, tutoring, and school reopening; $45.0 million as part of Chapter 357 of 2021 for school reopening, summer school, behavioral health, and tutoring; and $30.0 million in grants for innovative programs and broadband. In fiscal 2022, local school systems received $1.97 billion, which included $1.76 billion from the American Rescue Plan Act and $211.6 million as part of Chapter 357. In fiscal 2023, local school systems received $46.0 million for transitional supplemental instruction and nonpublic schools could apply for $76.9 million for reimbursement for pandemic-related expenses.

Early childhood development programs received $2.25 billion in federal stimulus funds. In fiscal 2020, the Child Care Development Fund received $458.0 million from the Coronavirus Aid, Relief, and Economic Security Act. In fiscal 2021, this same fund received $1.29 billion from the Coronavirus Response and Relief Supplemental Appropriation. In fiscal 2022, a total of $502.3 million was distributed in two grants: $309.1 million for Child Care Stabilization Grants and $193.2 million for Child Care Development Block Grants.

Federal stimulus funding for the Maryland School for the Blind and the Maryland School for the Deaf is based on enrollment. All allocations were in fiscal 2021 and included $700,000 for the Maryland School for the Blind and $1.2 million for the Maryland School for the Deaf. The Healthy School Facility Fund, which is administered by the Interagency Commission on School Construction, received $80.0 million: $40.0 million in each of fiscal 2022 and fiscal 2023.

As part of the federal stimulus fund allowance for State education agencies, the department received a total of $302.8 million, which included $20.8 million in fiscal 2020, $86.9 million in fiscal 2021, and $195.1 million in fiscal 2022. The department continues to spend these funds on programs mandated by the federal government as well as State discretionary programs, including learning loss, summer enrichment, afterschool programs, administrative expenses, and mental health programming. For more information on federal stimulus funds and grants, see *Volume IX – Education in Maryland*.

Maryland State Library Agency

The Maryland State Library Agency develops public library services and resource sharing among libraries throughout the State. These duties were previously held by the Maryland State Department of Education but were transferred to the agency when it was established by Chapters 337 and 338 of 2017. The agency's oversight responsibilities include (1) the State's 24 public library systems; (2) the Enoch Pratt Central Library that is designated as the State Library Resource Center; (3) the Library for the Blind and Physically Handicapped; (4) three regional resource centers; and (5) metropolitan cooperative service programs. In fiscal 2023, the agency received $3.7 million in federal funds under the Museum and Library Services Act.

Sections of the Maryland Annotated Code

Education Article, Title 23

Legislative Handbook Series Cross-references

Volume II – Government Services in Maryland
Volume VI – Maryland Local Government

Chapter 15. Health, Human Services, and Juvenile Services

Maryland Department of Health

A summary of the revenues to be collected by the Maryland Department of Health in fiscal 2023 is presented in **Exhibit 15.1**. Revenues are displayed in two different formats – first according to the agency or program that primarily generates them and second by source.

Exhibit 15.1
Maryland Department of Health Revenue Estimates
Fiscal 2023
($ in Millions)

	General Funds	Special Funds	Federal Funds	Total
Revenues by Agency/Program				
Medical Care Programs Administration		$863.2	$8,680.3	$9,543.6
Developmental Disabilities Administration		6.5	809.2	815.7
Prevention and Health Promotion Administration		142.0	402.2	544.2
Behavioral Health Administration	$100.0	36.5	114.9	251.4
Health Regulatory Commissions		250.5		250.5
Administration		123.4	12.3	135.7
Public Health Services		13.9	80.6	94.5
Health Occupations Boards and Commissions		49.6		49.6
Hospital Patient Recoveries	31.1			31.1
Medicaid Disproportionate Share Payments	29.1			29.1
State Health Facilities[1]		9.2	0.2	9.4
Office of Health Care Quality		0.6	8.7	9.3
Total	**$160.1**	**$1,495.3**	**$10,108.5**	**$11,763.9**
Revenues by Source				
Medical Assistance Program			$9,241.6	$9,241.6
Medicaid Deficit Assessment		$294.8		294.8
Children's Health Program			257.8	257.8
Health Care Coverage Fund		217.3		217.3

	General Funds	Special Funds	Federal Funds	Total
Nursing Home Assessment		150.0		150.0
Cigarette Restitution Fund		145.3		145.3
Epidemiology and Laboratory Capacity for Infectious Diseases			142.4	142.4
Uncompensated Care Fund		112.0		112.0
Dedicated Purpose Account		108.3		108.3
Special Supplemental Nutrition Program for Women, Infants, and Children			102.9	102.9
Behavioral Health Recoupments	$100.0			100.0
Maryland AIDS Drug Assistance Program Rebates		79.0		79.0
Substance Abuse Prevention and Treatment Block Grants			62.9	62.9
Blueprint for Maryland's Future Fund		56.5		56.5
HIV Care Formula Grant and Other HIV Prevention Activities			49.7	49.7
Health Occupations Boards Fees		49.6		49.6
Immunization Cooperative Grants			37.1	37.1
Community Mental Health Services Block Grant			33.9	33.9
Hospital Patient Recoveries	31.1			31.1
Public Health Emergency Preparedness and Response[2]			29.4	29.4
Medicaid Disproportionate Share Payments	29.1			29.1
State Targeted Response to the Opioid Crisis Grant			26.9	26.9
Opioid Restitution Fund		24.2		24.2
Health Services Cost Review Commission Fund		20.3		20.3
American Rescue Plan Act State Fiscal Recovery Fund			20.0	20.0
Maryland Health Care Commission Fund		19.2		19.2
Maternal and Child Health Population Health Improvement Fund		10.0	8.0	18.0
Health Equity Resource Community Reserve Fund		15.0		15.0
Money Follows the Person Rebalancing Demonstration			12.9	12.9
Maryland Trauma Physicians Services Fund		12.2		12.2
Senior Prescription Drug Assistance Program		12.0		12.0
Maternal and Child Health Services Grant			11.4	11.4

	General Funds	Special Funds	Federal Funds	Total
CRISP		10.0		10.0
Other Sources		159.6	71.6	231.2
Total	**$160.1**	**$1,495.3**	**$10,108.5**	**$11,763.9**

[1]Includes behavioral health facilities, facilities for individuals with developmental disabilities, and chronic care hospitals.
[2]Includes $18.0 million authorized in the federal American Rescue Plan Act for COVID-19 public health workforce costs.

Source: *Fiscal 2023 State Budget Books*; Department of Budget and Management; Department of Legislative Services

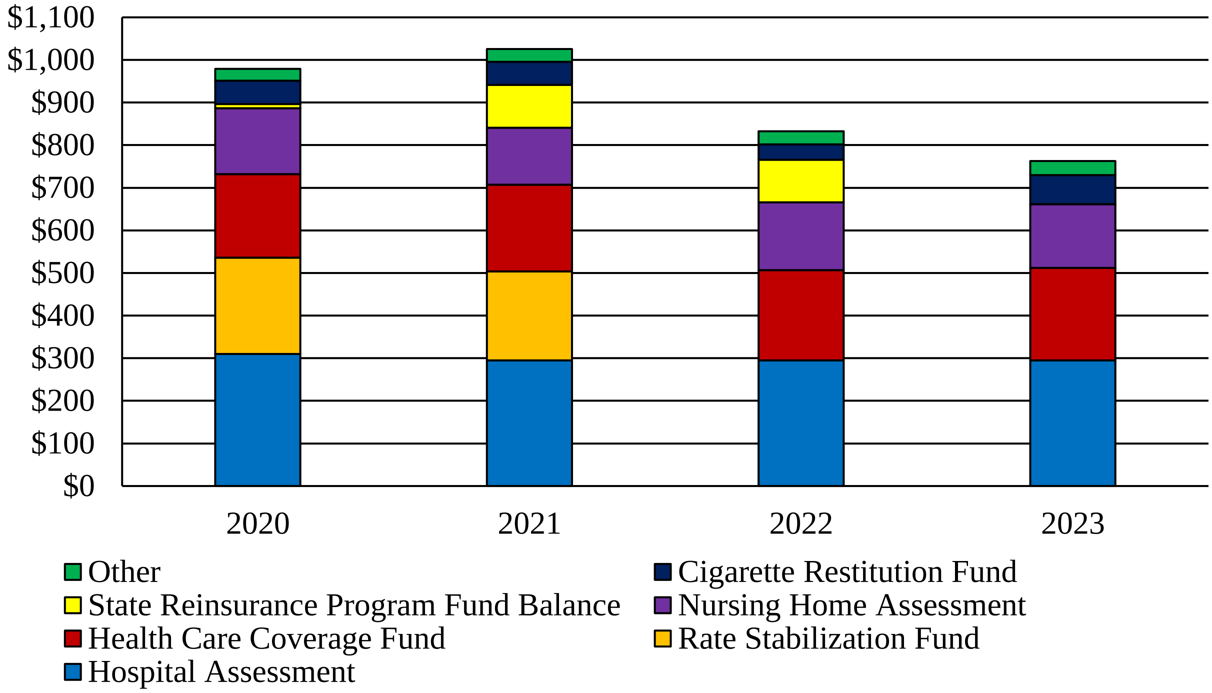
Medical Care Programs

The Medical Care Programs Administration, a unit of the Maryland Department of Health, is responsible for administering the Medical Assistance Program (Medicaid), the Maryland Children's Health Program, the Family Planning Program, and the Employed Individuals with Disabilities Program. The federal share of these programs is expected to total just under $8.7 billion in fiscal 2023. The funds will be spent to pay a portion of the capitated payments to Medicaid managed care organizations, reimburse medical providers and pharmacies for prescription drugs and services such as nursing home and medical day care, pay costs associated with specialty mental health services, and support administrative costs of the program.

Programs administered by the Medical Care Programs Administration are typically jointly funded by the State and federal government. Based on Maryland's federal medical assistance percentage, which varies depending on a state's per capita income relative to the national average, the federal government typically covers 50% of Medicaid costs. However, the share of the expenses borne by the State also varies by eligibility group and type of expense. In fiscal 2023, the State share ranges from 50% for most enrollees to as little as 10% for enrollees in the Affordable Care Act expansion eligibility group.

Anticipated special fund revenues for fiscal 2023 amount to $863.2 million. **Exhibit 15.2** provides additional detail on the source of most of this revenue, specifically special fund revenues that support provider reimbursements. Since the Great Recession, there has been a consistent reliance on special funds to support the Medicaid program, especially the Medicaid Deficit Assessment (an assessment on hospitals first levied during the Great Recession), the Health Care Coverage Fund (also derived from a hospital assessment), and the 6% assessment on nursing homes. These fund sources accounted for the majority of special fund revenues under Medicaid from fiscal 2020 to 2023. Reliance on special fund revenue has remained high in the past four fiscal years, averaging $900.1 million, although estimated fiscal 2022 and 2023 special fund support fell significantly to $833.0 million and $762.5 million, respectively.

Exhibit 15.2
Medicaid Special Fund Revenues
Fiscal 2020-2023
($ in Millions)



Note: Medicaid provider reimbursements special funds only.

Source: Maryland Department of Health; Department of Legislative Services

Recent special fund revenues budgeted under the Medicaid program have primarily declined due to a provision in the Budget Reconciliation and Financing Act of 2020 (Chapter 538) repealing the Rate Stabilization Fund, which covered over $200 million in Medicaid costs each year in fiscal 2020 and 2021. The fund was supported with a 2.0% premium tax on health maintenance organizations and managed care organizations. Chapter 538 required this revenue to be deposited into the General Fund and directed to the Maryland Health Benefit Exchange.

In fiscal 2023, special fund revenues further declined due to a provision in the Budget Reconciliation and Financing Act of 2021 (Chapter 150) requiring annual $100 million transfers in State Reinsurance Program Fund balance to Medicaid in fiscal 2021 and 2022 only. The State Reinsurance Fund is supported with a health insurance provider fee assessment collected by the Maryland Health Benefit Exchange. Special fund reductions in fiscal 2023 were partially offset by an increase in revenues from the Cigarette Restitution Fund, derived from revenue from national tobacco litigation and discussed further below.

Sections of the Maryland Annotated Code

Health – General Article, Title 15

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Developmental Disabilities Administration

The Developmental Disabilities Administration provides direct services to individuals with developmental disabilities including autism, blindness, cerebral palsy, deafness, epilepsy, intellectual disability, and multiple sclerosis. Services are provided in State residential centers and through funding of a coordinated service delivery system that supports the integration of these individuals into the community. Because the majority of the individuals served are Medicaid eligible, the State receives federal matching funds for services provided to Medicaid-enrolled individuals.

Federal fund revenues through the Medicaid program of $809.2 million are anticipated to support administrative costs and services provided to individuals with developmental disabilities. Most of these services are delivered in community-based settings. Special fund revenues, including waiting list equity funds, are expected to total $6.5 million.

Sections of the Maryland Annotated Code

Health – General Article, Titles 7 and 10

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Prevention and Health Promotion Administration

The Prevention and Health Promotion Administration aims to improve the health and wellbeing of Marylanders by providing public health leadership and community-based health efforts. Public health activities administered by the Prevention and Health Promotion Administration are predominantly funded with special fund and federal fund revenue, totaling $544.2 million, or 86.5%, of agency spending in fiscal 2023.

Estimated federal fund revenues supporting the Prevention and Health Promotion Administration total $402.2 million in fiscal 2023. Beginning in fiscal 2020, the administration received increased federal support as the federal government distributed financial assistance for states to respond to the COVID-19 public health emergency. In fiscal 2023, this includes $175.2 million in supplemental grant funding from the U.S. Centers for Disease Control –

$138.1 million through the Epidemiology and Laboratory Capacity for Infectious Diseases cooperative agreement and $37.1 million through the Immunization and Vaccines for Children Program. Maryland has received grant funding through both programs for other common public health uses prior to the pandemic, but federal legislation passed during the COVID-19 pandemic provided supplemental grants for testing, contact tracing, surveillance, vaccine distribution, and many other activities.

Other fiscal 2023 federal revenues for infectious disease and environmental health services include $38.2 million in HIV Care Formula Grants and $11.5 million in federal funds for additional HIV prevention and surveillance activities. The administration will also collect $79.0 million in special funds from rebates on HIV/AIDS pharmaceuticals purchased through the Maryland AIDS Drug Assistance Program.

Under the administration, the Maternal and Child Health Bureau, the Environmental Health Bureau, and the Cancer and Chronic Disease Bureau receive federal grants for various other program activities. This includes $102.9 million for the Special Supplemental Nutrition Program for Women, Infants, and Children; $11.4 million for the Maternal and Child Health Services grant; $7.7 million for the Maternal and Early Childhood home visiting program; and $3.9 million for family planning grants. Beginning in fiscal 2023, the Maternal and Child Health Bureau also receives $6.5 million in special funds from the Blueprint for Maryland's Future Fund for school-based health center grants. Grant management duties were transferred from the Maryland State Department of Education to the Prevention and Health Promotion Administration as of July 1, 2022, in accordance with Chapters 605 and 606 of 2021.

The administration also receives special funds for family health and chronic disease services from the Cigarette Restitution Fund. In fiscal 2023, the administration is appropriated approximately $51.3 million from the fund. Cigarette restitution funds are also distributed to other programs, a breakdown of which is detailed later in this chapter.

Sections of the Maryland Annotated Code

Health – General Article, Titles 13, 17, and 18

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume IV – Maryland's Budget Process

Health Regulatory Commissions

The Health Services Cost Review Commission regulates hospital charges in Maryland and is responsible for the implementation of the Maryland Total Cost of Care Model State Agreement, a partnership between the State and federal government. The commission imposes a user fee on the facilities that it regulates in order to cover its operating costs. Chapters 696 and 697 of 2022 altered the maximum amount of user fees that the commission may assess on hospitals and related institutions from $16 million to the greater of 0.1% of the immediately preceding fiscal year's budgeted, regulated, gross hospital revenue or the largest cap amount determined during the immediately preceding five fiscal years, for fiscal 2023, 2024, and 2025. Beginning in fiscal 2026, the total fees assessed by the commission may not exceed the average of the amounts determined for fiscal 2023, 2024, and 2025. The Department of Legislative Services estimates a $4.0 million to $5.5 million increase in special fund revenues for fiscal 2023 through 2025.

In addition, the Health Services Cost Review Commission is responsible for administering the Uncompensated Care Fund, which is funded by payments collected from all hospitals and redistributed to those hospitals that serve a disproportionate share of the uninsured and underinsured population. These payments are expected to generate $112 million in special funds in fiscal 2023.

The Maryland Health Care Commission is responsible for a variety of health planning activities, including a medical care database. The commission's budget is supported by fees assessed on health insurers, health maintenance organizations, third-party administrators, and health care providers. This assessment was increased under Chapters 711 and 712 of 2022 from $16 million to $20 million.

The Maryland Health Care Commission also administers grants made to trauma centers from the Maryland Trauma Physicians Fund. This fund is supported by a $5.00 surcharge on motor vehicle registrations. In fiscal 2023, the Maryland Health Care Commission anticipates receiving $12.2 million in special fund revenue from the fund.

The Maryland Community Health Resources Commission is primarily a grant-making authority; traditionally responsible for the distribution of operating grants to health safety-net providers, the commission also staffs and manages grants for Health Equity Resource Communities and for the Maryland Consortium on Coordinated Community Supports.

The Maryland Community Health Resources Commission's funding for the operating grants was supported through the Maryland Community Health Resources Commission Fund, which in turn derives its revenues from payments received from Carefirst. This fund source was also used to support the Senior Prescription Drug Assistance Program in the Medical Care Programs Administration. As the Carefirst funding had decreased in recent years, this fund's ability to support both the Maryland Community Health Resources Commission and the Senior Prescription Drug Assistance Program waned, resulting in the Budget Reconciliation and Financing Act of 2021 (Chapter 150), to include provisions addressing these projected deficits. Chapter 150 dedicated all of the Carefirst premium tax exemption to the Senior Prescription Drug Assistance Program and required $8 million transfers from the Maryland Health Benefit Exchange's Reinsurance Fund to the Maryland Community Health Resources Commission in fiscal 2023 and 2024 only.

The Reinsurance Fund is used to fund Health Equity Resource Communities grants. Chapter 741 of 2021 provides $15 million to the commission for these grants in fiscal 2023, 2024, and 2025.

The Maryland Consortium for Coordinated Community Supports was established by Chapter 36 of 2021 (The Blueprint for Maryland's Future). Funding for the consortium is mandated to grow from $50 million in fiscal 2023 to $125 million by fiscal 2026. Although a special fund was created for the program in the authorizing legislation, funding for fiscal 2023 was provided through the Blueprint for Maryland's Future Fund.

The Prescription Drug Affordability Board, established by Chapter 692 of 2019, assesses an annual fee on manufacturers, pharmacy benefit managers, carriers, and wholesale distributors of prescription drugs for the operations of the Board. The board is expected to receive special fund revenues of $1.4 million in fiscal 2023.

Sections of the Maryland Annotated Code

Health – General Article, Titles 19 and 21

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Behavioral Health Administration

The Behavioral Health Administration was formally created by Chapter 460 of 2014, merging the former Alcohol and Drug Abuse Administration and the Mental Hygiene Administration. Funding for Medicaid-reimbursable behavioral health services for Medicaid-eligible individuals is budgeted in the Medical Care Programs Administration, while funding for non-Medicaid-reimbursable services and services to the uninsured is budgeted in the Behavioral Health Administration.

Of the general funds collected by the Maryland Department of Health as a whole, most are attributable to the State-operated psychiatric hospitals and residential treatment centers, including hospital patient recoveries that consist of Medicare, Medicaid, private insurance, and out-of-pocket payments made on behalf of patients in those hospitals and treatment centers as well as all of the Medicaid disproportionate share payments ($29.1 million) that are related to indigent care provided at four of the State-operated psychiatric hospitals – Eastern Shore, Finan, Spring Grove, and Springfield.

Beginning in fiscal 2023, the Behavioral Health Administration is planning to collect overpayments of claims during an eight-month estimated payment period as General Fund revenues. The department estimates $100 million to be recovered in fiscal 2023.

Most of the $36.5 million in special fund revenues expected to be received by the Behavioral Health Administration in fiscal 2023 are to provide substance abuse services – $26 million from the Cigarette Restitution Fund and $5.0 million from the Problem Gambling Fund. The remaining special funds are derived from a variety of sources and used to support behavioral health services or services at the State-run psychiatric hospitals and residential treatment centers (for example, local government cost recoveries for day programming, meal reimbursements, donations, and energy efficient infrastructure investments).

The Behavioral Health Administration expects to receive $114.9 million in federal funds in fiscal 2023. The largest amount, $27.7 million, is for alcohol and drug abuse prevention and treatment services through the Substance Abuse Prevention and Treatment Block Grant. These revenues provide addiction prevention and treatment services through private and nonprofit agencies and local health departments. Programming includes sub-acute detoxification, residential intermediate care, intensive outpatient care, halfway houses, and outpatient and prevention services for adults and adolescents. An additional federal block grant for mental health services, the Community Mental Health Services Block Grant, provides $18.0 million for fiscal 2023. Federal response to the COVID-19 pandemic provided multiple one-time increases to these two block grant programs, adding $17.4 million and $16.0 million in fiscal 2023, respectively.

Other major federal fund sources include the Medical Assistance Program ($14.0 million) and the State Targeted Response to the Opioid Crisis Grant ($11.9 million).

Sections of the Maryland Annotated Code

Health – General Article, Titles 2, 7.5, and 10

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Health Occupations Boards

Under the Office of the Secretary of Health, there are 20 boards (including two commissions) that regulate and discipline individual health care professionals in the State. The boards (except for the State Board of Nursing Home Administrators and the State Board of Residential Child Care Program Professionals) are almost completely funded with special funds generated from licensing and certification fees. In fiscal 2023, $49.6 million in special fund revenues are anticipated from license and examination fees collected by the boards. Of the total fees collected, the State Board of Physicians accounts for $11.6 million and the State Board of Nursing accounts for $9.1 million, with the remaining $28.9 million being spread out among the other 18 boards and commissions.

Sections of the Maryland Annotated Code

Health Occupations Article, Titles 1 through 5 and 7 through 20 (boards and commissions)

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Public Health Services

The Laboratories Administration within Public Health Services provides various laboratory services, including testing to assist in the prevention, diagnosis, and control of human disease; planning against bioterrorism attacks and other emergencies; enforcing food and drug laws by conducting examinations; promoting environmental health by detecting water or air pollution; and enforcing minimum standards and qualifications for all tissue banks and medical and environmental laboratories in Maryland. The Laboratories Administration collects fees (in general funds) for providing these services and receives federal funds through a variety of grants to address public health concerns such as bioterrorism activity and disease control. The fiscal 2023 budget anticipates $4.8 million in federal fund revenue to support these activities. Special fund revenues total $9.0 million, mainly in fee collections for screening tests performed under the Newborn Screening Program.

Public Health Services also includes the Office of Preparedness and Response, which oversees programs focused on enhancing preparedness for public health emergencies affecting the State and local jurisdictions, such as bioterrorism, emerging infectious diseases, radiation, and extreme weather. The office's fiscal 2023 appropriation totals $57.1 million and is almost completely funded through federal grants for public health emergency preparedness and hospital preparedness. More than half of the office's fiscal 2023 federal revenues were authorized in the federal American Rescue Plan Act to support the State's COVID-19 pandemic response, including $20.0 million from the State Fiscal Recovery Fund for ongoing COVID-19 expenses and $18.0 million to assist the public health workforce through the public health emergency.

Sections of the Maryland Annotated Code

Health – General Article, Title 17

Department Administration

The Department of Health Administration includes the Office of the Secretary, which is divided into the Executive Direction and Operations functions. These offices establish policies regarding health services and supervise the administration of the health laws of the State and its subdivisions, while also providing for the main operations components of the entire department, including administrative, financial, information technology, and general services (such as central warehouse management, inventory control, fleet management, space management, and management of engineering/construction projects). Other components of the Office of the Secretary include the Office of Minority Health and Health Disparities as well as special and federal fund major information technology spending for the entire department excluding Medicaid.

The offices that make up the Department of Health Administration are expected to collect $12.3 million in federal fund revenues in fiscal 2023. Most of this funding, $7.9 million, is derived from federal indirect cost recoveries, with much of the remainder, $1.8 million, being medical assistance payments.

Approximately $123.4 million in special funds supports the department's Administration budget. The fiscal 2023 budget bill included language transferring $96.5 million from the Dedicated Purpose Account to the Office of the Secretary for certain legislative priorities, including $50 million for hospital assistance and workforce support and $40 million to assist nursing homes and assisted living facilities in response to the COVID-19 pandemic.

The fiscal 2023 budget includes $24.2 million in special funds from the Opioid Restitution Fund, which is to be distributed to local jurisdictions participating in the settlement. Through April 1, 2022, the Office of the Attorney General reported that all jurisdictions and subdivisions were participating in the settlement, with the exception of Baltimore City (both as the school district and jurisdiction). The funds will be distributed to the local jurisdictions using a formula that is based 25% on population and 75% on opioid intensity metrics. The opioid intensity formula is one that was developed by the Plaintiffs' Executive Committee, which represents many of the local governments. At this time, the Office of the Attorney General has been unable to provide the exact distribution of these funds to the local subdivisions. However, Chapters 84 and 85 of 2022 established a grant program for local jurisdictions that distributes funding in accordance with the State-Subdivision Agreement of January 21, 2022.

Sections of the Maryland Annotated Code

Health – General Article, Title 2

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Chronic Care Hospitals

The Maryland Department of Health oversees Maryland's two State-run chronic and rehabilitative hospitals, Western Maryland Center and Deer's Head Center. At these facilities, the Maryland Department of Health provides chronic care and treatment to patients who require hospital-level rehabilitation as well as inpatient and outpatient (Deer's Head Center only) renal dialysis. Special fund revenues are expected to total $2.3 million, including $1.6 million from renal dialysis collections primarily at Deer's Head Center.

Sections of the Maryland Annotated Code

Health – General Article, Title 19, Subtitle 5

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Office of Health Care Quality

The Office of Health Care Quality within the Maryland Department of Health regulates a variety of health care facilities and services in the State and expects to receive approximately $6.8 million in federal reimbursements for Medicare and Medicaid survey requirements at the State's health care facilities in fiscal 2023 and an additional $1.9 million from the Medicaid program. The agency will also collect approximately $606,000 in special fund revenues from civil penalties that are used for nursing home quality improvement initiatives.

Sections of the Maryland Annotated Code

Health – General Article, Title 19

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Cigarette Restitution Fund

Fiscal 2021 to 2023 Programmatic Support

The Cigarette Restitution Fund is supported by payments made under the Master Settlement Agreement. Through the Master Settlement Agreement, the settling manufacturers pay the litigating parties substantial annual payments in perpetuity and conform to several restrictions on marketing to youth and the general public. Litigating parties include 46 states (Florida, Minnesota, Mississippi, and Texas had previously settled litigation), five territories, and the District of Columbia. The distribution of Master Settlement Agreement funds among the states is determined by formula, with Maryland receiving 2.26% of Master Settlement Agreement monies, which are adjusted upward for inflation and downward for volume, and prior settlements.

The use of the Cigarette Restitution Fund is restricted by statute. For example, at least 30% of the annual appropriation must be used for Medicaid, although this requirement is often surpassed and any shortfalls in anticipated revenue are accounted for in Medicaid support. Activities funded through the Cigarette Restitution Fund in fiscal 2023 include the Tobacco Use Prevention and Cessation Program; the Cancer Prevention, Education, Screening, and Treatment Program; alcohol and substance abuse treatment and prevention; the Breast and Cervical Cancer Program; Medicaid; tobacco production alternatives; legal activities; nonpublic school support; and Historically Black Colleges and Universities settlement payments. **Exhibit 15.3** provides Cigarette Restitution Fund revenue and expenditure detail for fiscal 2021 to 2023.

Exhibit 15.3
Cigarette Restitution Fund Budget
Fiscal 2021-2023
($ in Millions)

	2021 Actual	2022 Working	2023 Appropriation
Beginning Fund Balance	$0.2	$3.4	$43.5
Settlement Payments	162.4	162.0	160.9
NPM and Other Shortfalls in Payments[1]	-24.9	-24.9	-24.9
Awards from Disputed Account	0.0	0.0	0.0
Other Adjustments	5.3	5.3	0.0
Tobacco Laws Enforcement Arbitration	0.0	16.0	0.0
Subtotal	***$142.9***	***$161.8***	***$179.5***
Prior Year Recoveries	$3.8	$2.5	$2.5
Total Available Revenue	**$146.7**	**$164.3**	**$182.0**
Health			
Tobacco Enforcement, Prevention, and Cessation	$8.2	$11.0	$11.1
Cancer	25.3	27.0	27.0
Substance Use Disorder	25.1	14.9	26.0
Breast and Cervical Cancer	14.6	13.2	13.2
Medicaid	54.4	36.0	68.0
Subtotal	***$127.6***	***$102.2***	***$145.3***
Other			
Aid to Nonpublic School	$13.9	$16.3	$16.3
Historically Black Colleges and Universities	0.0	0.0	16.0
Crop Conversion	0.7	0.9	0.9
Attorney General	1.1	1.5	1.5
Subtotal	***$15.7***	***$18.7***	***$34.7***
Total Expenses	**$143.3**	**$120.8**	**$180.0**
Ending Fund Balance	**$3.4**	**$43.5**	**$2.0**

NPM: nonparticipating manufacturer

[1] The NPM adjustment represents the bulk of this total adjustment.

Note: Numbers may not sum to total due to rounding.

Source: Department of Budget and Management; Department of Legislative Services

The Nonparticipating Manufacturer Adjustment

One of the conditions of the Master Settlement Agreement was that the states take steps toward creating a more "level playing field" between participating manufacturers to the Master Settlement Agreement (and thus subject to annual payments and other restrictions) and nonparticipating manufacturers to the agreement. This condition is enforced through another adjustment to the states' annual payments, the nonparticipating manufacturer adjustment. The participating manufacturers have long contended that the nonparticipating manufacturers have avoided or exploited loopholes in state laws that give them a competitive advantage in the pricing of their products. If certain conditions are met, the Master Settlement Agreement provides a downward adjustment to participating manufacturers' contribution, known as the nonparticipating manufacturer adjustment.

Under the Master Settlement Agreement, participating manufacturers may pursue the nonparticipating manufacturers adjustment on an annual basis, but they must show three things in order to prevail and reduce their Master Settlement Agreement payments:

- a demonstrable loss of market share of over approximately 2%;
- that the Master Settlement Agreement was a significant factor contributing to that loss of market share; and
- a state was not diligently enforcing its qualifying statute.

Sales Year 2003 and 2004 Arbitration Findings

Litigation regarding the nonparticipating manufacturer adjustment started in 2005, beginning with the nonparticipating manufacturer adjustment for sales year 2003. In 2013, Maryland was one of six states that were found to not have diligently enforced their qualifying statute. Based on the arbitration ruling, Maryland not only forfeited $16 million that the participating manufacturers placed in escrow for the 2003 sales year but, under the Master Settlement Agreement arbitration framework, also saw its fiscal 2014 payment reduced by $67 million based on the arbitration panel's assessment that those states that settled before arbitration could not be found as nondiligent. Subsequent litigation reduced Maryland's fiscal 2014 payment loss to $13 million.

The participating manufacturers sought a multistate arbitration related to sales year 2004 for Maryland and the other states that did not settle the 2003 sales year litigation. Arbitration on sales year 2004 began in fall 2018 with eight states involved, and New Mexico later joined as a ninth state in the arbitration. On September 1, 2021, the Office of the Attorney General announced that a panel of three arbitrators decided in favor of Maryland that it diligently enforced the qualifying statute. As a result, the fiscal 2023 legislative appropriation reflects $16 million released from escrow as Cigarette Restitution Fund revenue in fiscal 2022 that will be carried over to fiscal 2023.

Chapters 41 and 42 of 2021 require payments received by the State as a result of litigation related to the State's enforcement of State law regarding the Master Settlement Agreement to go into a separate account that may only be used to supplant the general fund appropriation for settlement payments to Historically Black Colleges and Universities. Therefore, the fiscal 2023 legislative appropriation includes $16 million from the separate account for the Historically Black Colleges and Universities settlement.

Sales Year 2005 through 2007 Ongoing Litigation

The nonparticipating manufacturer adjustment is in dispute for future years. Unless it is settled or Maryland's diligence is not contested, there will be future arbitrations assessing Maryland's enforcement for future years. The next round of arbitration has already begun for Maryland and nine other states. This arbitration will determine settlements for sales year 2005 through 2007 at once. If Maryland is found to have diligently enforced the qualifying statute, the State will receive approximately $25 million released from escrow.

Further, for each disputed year since 2004, with some exceptions, an amount has been withheld and deposited into a disputed payments account. As of January 2021, there was approximately $245.3 million attributed to principal held on behalf of Maryland in this account. If the State were found to have diligently enforced the statute beginning in sales year 2005 and in subsequent years, at least this amount could be realized in revenue. Alternatively, Maryland could forfeit these funds and see its payment adjusted downward in certain fiscal years if the State were found to be nondiligent, as was seen in fiscal 2014 for sales year 2003.

Department of Human Services

A summary of the revenues to be collected by the Department of Human Services in fiscal 2023 is shown in **Exhibit 15.4**. These revenues are displayed in two different formats. The first part of the exhibit shows the expenditures of the revenues by the administration/program in which the funds are spent; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 15.4
Department of Human Services Revenue Estimates[1]
Fiscal 2023
($ in Millions)

	Special Funds	Federal Funds	Total
Revenues by Administration/Program			
Family Investment	$17.8	$2,268.0	$2,285.8
Social Services	5.9	236.2	242.1
Office of Home Energy Programs	118.9	77.0	195.8
Administration	2.5	119.1	121.7
Child Support	18.5	60.0	78.5
Total	**$163.6**	**$2,760.3**	**$2,923.9**
Revenue by Source			
Supplemental Nutrition Assistance Program		$2,079.2	$2,079.2
Temporary Assistance for Needy Families		262.4	262.4
Foster Care Title IV-E		106.1	106.1
Title IV-D Child Support Enforcement		95.7	95.7
Strategic Energy Investment Fund	$82.8		82.8
Low Income Home Energy Assistance		77.9	77.9
Medical Assistance Program		66.5	66.5
Electric Universal Service Program	35.9		35.9
Social Services Block Grant		32.3	32.3
Child Support Reinvestment Fund	15.0		15.0
Refugees and Entrant Assistance		14.9	14.9
Local Government Payments	10.6		10.6
Child Support Offset[2]	10.1		10.1
Promoting Safe and Stable Families		7.4	7.4
The Emergency Food Assistance Program		7.4	7.4
Interim Assistance Reimbursement	6.2		6.2
Child Welfare Services State Grants		5.6	5.6
Child Support Foster Care Offset	2.0		2.0
Cost of Care Reimbursement	0.6		0.6
Miscellaneous	0.4	4.8	5.2
Total	**$163.6**	**$2,760.3**	**$2,923.9**

[1] Includes amount budgeted rather than anticipated revenue.
[2] Includes Child Support Offset revenue related to Assistance Payments and Foster Care.

Source: *Fiscal 2023 State Budget Books*; Department of Human Services; Department of Legislative Services; Department of Budget and Management

Family Investment

Supplemental Nutrition Assistance Program

The Supplemental Nutrition Assistance Program, administered by the U.S. Department of Agriculture, provides benefits to low-income families to improve their food purchasing abilities. Traditional benefit costs are covered entirely with federal dollars, while administrative costs are shared equally by the State and the federal government. The State also received a three-year administrative grant without a matching requirement as part of the American Rescue Plan Act. In recent years, a State supplemental benefit funded with State dollars has been available to certain recipients. Of the $2.08 billion in total funds that the department expects to receive in fiscal 2023, $1.96 billion is allocated for benefits. The remaining $119.3 million is allocated for administrative costs, of which $10.2 million comes from the American Rescue Plan grant.

Temporary Assistance for Needy Families

Federal legislation enacted in 1996 created the Temporary Assistance for Needy Families Block Grant that transformed welfare from a cash benefits program to a program focused on work and temporary assistance. The most recent Temporary Assistance for Needy Families authorization expired in September 2010 and has continued under temporary extensions. The current extension is through September 2022. It is unclear when legislation to fully reauthorize the program for an extended period of time (typically five years) will be enacted. However, additional temporary extensions are expected if a full reauthorization is not completed.

Since fiscal 2017, Maryland has annually received $228 million from the federal Temporary Assistance for Needy Families Block Grant. The State is required to meet a maintenance of effort requirement of $177 million, equivalent to 75% of the amount the State spent on certain predecessor programs (or if the State fails to comply with certain federal work participation requirements, $189.0 million, representing 80% of State spending on predecessor programs). Funds that are not expended during a fiscal year remain available to the State in subsequent fiscal years. The Department of Human Services closed fiscal 2021 with a Temporary Assistance for Needy Families balance of $35.8 million. The balance is expected to exceed $100 million in each of fiscal 2022 and 2023 as State Fiscal Recovery Funds are used in lieu of some of the Temporary Assistance for Needy Families funds to support Temporary Cash Assistance benefits in fiscal 2022.

Temporary Assistance for Needy Families contingency funds are available to states meeting certain criteria related to Supplemental Nutrition Assistance Program participation or unemployment rates. States receiving contingency funds must provide additional maintenance of effort including spending 100% of what the State spent on predecessor programs, and then the contingency funds must be matched by maintenance of effort spending. Maryland has received contingency funds of varying amounts in each year since fiscal 2009. In fiscal 2023, Maryland expects to receive $27.2 million in contingency funds, the amount the State received in fiscal 2021.

In total, the State Temporary Assistance for Needy Families revenue is expected to be $255.5 million in fiscal 2023. However, the fiscal 2023 budget includes $262.4 million in Temporary Assistance for Needy Families expenditures due to available fund balance. The largest share of spending occurs for assistance payments ($112.8 million).

Medicaid

In fiscal 2023, the Department of Human Services will receive $66.5 million in reimbursements from the Medical Assistance Program (Medicaid). The largest share of these funds ($28.1 million) supports the Maryland Total Human-services Integrated Network Shared Platform. The remainder will be used primarily for administrative costs within several of the department's administrations, including the eligibility determination for certain Medicaid populations.

Child Support Offset – Assistance Payments

Child support payments made by noncustodial parents of children receiving cash assistance are evenly divided and retained by the State and the federal government to offset Temporary Cash Assistance benefits. Since fiscal 2020, a certain portion of the child support collected is passed through to families and disregarded in the calculation of benefits ($100 for one child or $200 for two or more children). The remainder is retained and divided evenly between the State and federal government as has occurred historically. In fiscal 2023, the State expects to realize $10.1 million in special funds from these offset payments, of which $5.0 million represents the child support amounts passed through to families. Of the remaining $5.1 million, the department budgeted $2.0 million in fiscal 2023 for use in offsetting costs in the Temporary Cash Assistance Program and $3.1 million in the child support program.

Temporary Disability Assistance Program

Budgeted as special fund revenue, the State receives a reimbursement for State-financed cash assistance provided to adults with disabilities while a successful application for federal Supplemental Security Income benefits is pending. Through the Temporary Disability Assistance Program, Maryland provides cash assistance to adults without dependents who have a disability. The benefit is limited to 9 months during a 36-month period unless the individual has an application for federal benefits pending. Individuals receiving the Temporary Disability Assistance Program benefits who eventually qualify for federal benefits receive the federal cash assistance retroactive to the date of application and must reimburse any State benefits received while the federal application was pending. In fiscal 2023, the State anticipates $6.2 million in special fund revenues from benefit reimbursements.

Refugees' Assistance

The department will receive approximately $14.9 million in federal funds in fiscal 2023 from federal Refugees and Entrant Assistance Grants. These funds provide cash, medical assistance, and various social services to refugees to assist their resettlement in the United States.

The program is 100% federally funded. Most of the funding ($14.8 million) is allocated to the Maryland Office for Refugees and Asylees within the Family Investment Administration.

Emergency Food Assistance Program

The Emergency Food Assistance Program is a federal program under which the State receives federally purchased commodities and funding for administrative costs of the program, including processing, storing, transporting, and distributing the commodities. Administrative funds can be retained for one year and require a match in limited circumstances. The purpose of the program is to support food banks, food pantries, and other emergency feeding organizations. States and/or recipient organizations can select food commodities within a catalog determined by the U. S. Department of Agriculture, up to the state's entitlement. In some years bonus commodities are also available. The assistance is determined under a formula based on the state's share of households with income below the federal poverty levels and unemployed individuals. The fiscal 2023 budget anticipates $7.4 million of federal funding for this program. The actual amount of funding may vary once the value of federal food commodities is known.

Sections of the Maryland Annotated Code

Generally, Human Services Article, Titles 5 and 6

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Office of Home Energy Programs

Low Income Home Energy Assistance Program

The Office of Home Energy Programs within the Family Investment Administration uses the federal Low Income Home Energy Assistance Program funds to administer the Maryland Energy Assistance Program that provides direct payments to a qualifying homeowner or energy supplier to assist in meeting the costs of home energy. Funds are also available for some low-cost residential weatherization. The amount of funds received from this discretionary grant program can vary widely between federal fiscal years. The State is able to carryover 10% of grant funds from one federal fiscal year to the next. Maryland has budgeted approximately $77.9 million from the federal Low Income Home Energy Assistance Program in fiscal 2023.

Electric Universal Service Fund

The Electric Universal Service Fund provides energy assistance to low-income electric customers through the Electric Universal Service Program. Each year, $37.0 million is to be collected for the fund from a surcharge on residential, commercial, and industrial customer electric bills. The Public Service Commission sets the surcharge level necessary to collect the authorized level of revenues. The fiscal 2023 budget includes approximately $35.9 million reflecting recent spending rather than revenue receipts.

Strategic Energy Investment Fund

Chapters 127 and 128 of 2008 established the Strategic Energy Investment Fund and specified that 17% of proceeds received by the fund from the sale of allowances from the Regional Greenhouse Gas Initiative carbon dioxide emission allowance auctions is to be transferred to the Department of Human Services to be used for the Electric Universal Service Program and other electricity assistance programs. After several temporary increases, the Budget Reconciliation and Financing Act of 2014 (Chapter 464) permanently increased the allocation to at least 50% of the proceeds received by the fund from the sale of carbon dioxide emission allowances. Fund balance has also boosted the availability of funding from this source beyond that which revenue alone could support. The fiscal 2023 budget includes $82.8 million in Strategic Energy Investment Funds for energy assistance, which includes the anticipated use of $49.2 million in fund balance.

Sections of the Maryland Annotated Code

State Government, Title 9, Subtitle 20B; and Public Utilities Article, Section 7-512.1

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Social Services

Foster Care Title IV-E

The primary federal revenue for foster care is Title IV-E funds. These funds have historically been available for certain administrative expenses, foster care maintenance payments, and subsidized adoptions and guardianship payments. For certain placement types (group/institutional settings aside from programs including minor mother, independent living for youth age 18 or older, and for those who have been victims of or at risk of being victims of sex trafficking), the federal Families First Prevention Services Act limited Title IV-E reimbursement to two weeks except for placements that meet certain criteria (such as holding a license or accreditation, being trauma informed, having registered or licensed nursing staff and other clinical staff available 24 hours per day). In addition, the federal funds are only available for eligible youth. Eligibility criteria includes income-related criteria and nonincome-related criteria. Income-related criteria is being phased out for subsidized adoptions.

As a result of the federal Families First Prevention Services Act, beginning in October 2019, states have been able to receive funding for time-limited prevention services for mental health/substance use and in-home parent skill-based programs for candidates for foster care regardless of whether the youth would otherwise be eligible for Title IV-E funds. In order to qualify for federal funding, prevention services under the Families First Prevention Services Act must be trauma informed and evidence based and included in an approved state Title IV-E Prevention Services Plan. Reimbursement for these services is made without regard to whether the youth would have otherwise qualified for Title IV-E reimbursement. The Department of Human

Services received approval for its Title IV-E Prevention Services Plan in February 2020, and a revised Cost Allocation Plan has been submitted, which would allow for federal reimbursement for prevention services retroactively from October 2019.

The Department of Human Services will receive approximately $106.1 million from federal Foster Care Title IV-E funds in fiscal 2023.

Adoption Assistance, Child Welfare, and Family Preservation

The State also receives federal funds for child welfare and family preservation services. These revenues are designed to supplement existing State and local funding, with a particular emphasis on programs enabling children to remain in their own homes or in alternative permanent homes.

Specifically, $7.4 million is available from the federal Promoting Safe and Stable Families Act Program, of which $2.1 million will support community-based family preservation services for families at risk or in crisis, reunification and transition services, and adoption promotion and support services for foster children. The amount received is based on the number of children receiving Supplemental Nutrition Assistance Program benefits. The remaining $5.4 million will be used for child welfare services.

There are also $5.6 million in federal funds available for Child Welfare Services State Grants.

Social Services Block Grant

The Social Services Block Grant is another major source of federal revenues for child and adult welfare services. In addition to the goal of preventing neglect, abuse, or exploitation of children and adults, the block grant provides funding to social service programs that reduce dependency on welfare programs, prevent inappropriate institutional care, and secure appropriate institutional care. For fiscal 2023, the State is expecting a grant of $32.3 million.

Cost of Care Reimbursement

Youth in care may be the recipients of certain federal benefits including Social Security, Supplemental Security Income, or Veterans Administration benefits. The Department of Human Services may receive these funds on behalf of children in foster care. The department has historically used these funds for the cost of care. The department began showing this revenue as special funds beginning in fiscal 2016. Chapters 815 and 816 of 2018 altered the allowable uses of the funds to require the funds be used in the child’s best interest, including for special needs not otherwise provided by the department or conserved for future needs. The Acts require a certain portion of the benefits be conserved for future use once the youth reaches age 15. In fiscal 2023, the department expects to receive and use $602,799 of these funds on behalf of the eligible foster youth. The conserved funds are not included in this funding level.

Sections of the Maryland Annotated Code

Human Services Article, Title 4

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Child Support

Title IV-D

Maryland receives federal funding from the Title IV-D Child Support Enforcement Program amounting to two-thirds of the State's total costs for child support enforcement. In fiscal 2023, the State has budgeted approximately $95.7 million through this federal program for several purposes: (1) to enforce the support obligations owed by noncustodial parents to their children; (2) to locate noncustodial parents; (3) to establish paternity; and (4) to obtain child, spousal, and medical support. The actual amount that is received will vary based on total expenditures for the program.

Child Support Reinvestment Fund

The Child Support Reinvestment Fund consists of federal incentive payments received by the Department of Human Services for performance. The incentive payments received are based on performance in the second preceding year. For example, funds received in federal fiscal 2023 reflect the agency's performance in federal fiscal 2021. In fiscal 2023, the department has budgeted approximately $15.0 million in special funds.

Under State law, reinvestment dollars may only be used for (1) privatization and outsourcing; (2) development of programs and special projects; (3) automation; (4) employee performance incentive programs; (5) staff development and training; (6) community outreach; and (7) public awareness projects.

Sections of the Maryland Annotated Code

Family Law Article, Title 10

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Miscellaneous

The Department of Human Services also generates revenues from various other sources. These sources are listed in **Exhibit 15.5**.

Exhibit 15.5
Miscellaneous Revenues
Department of Human Services
($ in Thousands)

	Total
Special Funds	
Foster Care Education	$386.9
Federal Funds	
Child Abuse and Neglect State Grants	$1,673.6
Independent Living	942.2
Adoption Assistance	910.1
American Rescue Plan Fiscal Recovery Funds to Support Energy Assistance Changes Made by Chapters 638 and 639 of 2021[1]	569.9
Chafee Education and Training Voucher Program	507.6
Grants to States for Access and Visitation	155.9
Adoption Opportunities National Electronic Interstate Enterprise	22.8
Elder Abuse Prevention Interventions Program	9.0
Total	**$4,791.2**

[1] Chapters 638 and 639 of 2021 included a one-year mandate requiring any fiscal 2021 American Rescue Plan State Fiscal Recovery Funds budgeted to support changes associated with Chapters 638 and 639 of 2021 be included in the fiscal 2023 budget.

Note: Numbers may not sum to total due to rounding.

Department of Juvenile Services

A summary of the revenues to be collected by the Department of Juvenile Services in fiscal 2023 is shown in **Exhibit 15.6**. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 15.6
Department of Juvenile Services Revenue Estimates
Fiscal 2023
($ in Millions)

	Special Funds	Federal Funds	Total
Revenues by Agency/Program			
Community Operations Administration and Support	$0.5	$2.5	$3.0
Facility Operations Administration and Support		0.7	0.7
Juvenile Services Education Program	1.7	3.5	5.2
Departmental Support		0.2	0.2
Total	**$2.2**	**$6.9**	**$9.1**
Revenues by Source			
Local Education Reimbursement	$2.2		$2.2
Foster Care Title IV-E		$2.7	2.7
School Breakfast Program		0.5	0.5
Foster Care Grandparent Program		0.2	0.2
Prison Rape Elimination Act		0.0	0.0
Title I Program for Neglected and Delinquent Children and Youth		1.4	1.4
Special Education		1.5	1.5
Vocational Education		0.5	0.5
Total	**$2.2**	**$6.9**	**$9.1**

Note: Numbers may not sum to total due to rounding. Amounts less than $50,000 are shown as $0.0 million.

Source: *Fiscal 2023 State Budget Books*; Department of Juvenile Services; Department of Legislative Services

Community and Facility Operations Administration

Chapter 498 of 2007 required the department to deliver services on a regional basis in order to ensure that services will be as close to a youth's family and community as possible. Previously organized into six regions, the department adopted a new regional breakdown with eight regions that align with the Maryland Judicial Circuits on July 1, 2021. The department's eight regions provide community services, including intake, probation, aftercare, and alternatives to detention. Within the Community and Facility Operations Administration, there are three programs designed to serve youth: Community Operations Administration and Support; Facility Operations Administration and Support; and the Juvenile Services Education Program.

Community Operations Administration and Support

Community Operations Administration and Support provides community and residential services to all youth supervised by the department. It also provides health, educational, and placement services; community detention/electronic monitoring; violence prevention initiatives; and victim services. Its operations promote the continuity of integrated case management based on a youth's level of risk and need. In fiscal 2023, Community Operations Administration and Support will receive approximately $2.5 million in federal funds from Title IV-E.

In addition to the federal funds, Community Operations Administration and Support will receive $0.5 million in special funds in fiscal 2023. Special fund revenue is attributable to reimbursements from local education agencies.

Facility Operations Administration and Support

Facility Operations Administration and Support oversees all of the department's facilities. The facilities and programs administered in this program provide services that include screening, counseling, vocational enhancement, health services, and recreational activities for youths. In fiscal 2023, Facility Operations Administration and Support will receive approximately $728,000 in federal funds, $510,937 from the School Breakfast Program, $22,596 from a federal grant to support compliance with the Prison Rape Elimination Act, and $194,724 from the Foster Grandparent Program funds.

Juvenile Services Education Program

As required by Chapter 147 of 2021, starting in fiscal 2023, the department and the Juvenile Services Education Board and Program will have the responsibility of implementing and providing educational programming and services to all juveniles placed in the department's detention and residential facilities. This was formerly the responsibility of the Maryland State Department of Education. In fiscal 2023, the program will receive approximately $3.5 million in federal funds: $1,441,840 from Title I; $1,503,788 in special education grants to states; and $510,769 in vocational education grants to states.

In addition to the federal funds, the Juvenile Services Education Program will receive approximately $1.7 million in special funds in fiscal 2023. These funds are attributable to reimbursements from local education agencies.

Division of Departmental Support

The Division of Departmental Support provides a number of services, including strategic recommendations, research, evaluation, policy and program development, training, facility maintenance, and youth advocacy programs to assist the Operations Division. It expects to receive $206,150 in federal funds for fiscal 2023 related to Foster Care Title IV-E.

Sections of the Maryland Annotated Code

Human Services, Title 9

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Chapter 16. Economic Development and Housing

Department of Commerce

A summary of the special and federal fund revenues to be collected by the Department of Commerce in fiscal 2023 is shown in **Exhibit 16.1**. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 16.1
Department of Commerce
Revenue Estimates
Fiscal 2023
($ in Millions)

	Special Funds	Federal Funds	Total
Revenues by Agency/Program			
Division of Business and Industry Sector Development	$52.1	$14.3	$66.3
Division of Marketing, Tourism, and the Arts	4.4	9.1	13.5
Office of the Secretary		3.8	3.8
Total	**$56.5**	**$27.2**	**$83.7**
Revenues by Source			
Video Lottery Terminal Proceeds (SMWOBA)	$19.3		$19.3
Investment Earnings, Loan Repayment, Canceled Encumbrances, Brownfields Local Property Tax Contributions, and Interest Earned (MEDAAF)	15.5		15.5
State Small Business Credit Initiative (MSBDFA)		14.3	14.3
Admissions and Amusement Tax (E-Nnovation Initiative and Arts Programs)	10.9		10.9
Investment Earnings, Loan Repayment, and Interest Earned (MSBDFA)	5.6		5.6
Maryland Marketing Partnership	1.5		1.5
Strategic Energy Investment Fund (SMWOBA)	0.5		0.5
Miscellaneous Income – Division of Marketing, Tourism, and the Arts	0.6	9.1	9.7

	Special Funds	Federal Funds	Total
Miscellaneous Income – Office of the Secretary		3.8	3.8
Miscellaneous Income – Division of Business and Industry Sector Development	2.5		2.5
Total	**$56.5**	**$27.2**	**$83.7**

MEDAAF: Maryland Economic Development Assistance Authority and Fund
MSBDFA: Maryland Small Business Development Financing Authority
SMWOBA: Small, Minority, and Women-Owned Businesses Account

Source: *Fiscal 2023 Governor's Budget Books*; Department of Commerce; Department of Legislative Services

Financing Programs

The department's programs in the Division of Business and Industry Sector Development are expected to generate approximately $52.1 million in special fund revenues and $14.3 million in federal funds in fiscal 2023 across the following programs:

- ***Small, Minority, and Women-Owned Businesses Account:*** $19.3 million in special fund revenues are anticipated from video lottery terminal proceeds and $500,000 in special fund revenues from the Strategic Energy Investment Fund. This program provides capital investments and loans for small, minority, and women-owned businesses that are located primarily in the areas of the State with gaming facilities. The account receives 1.5% of the State's video lottery terminal proceeds, and in addition, Chapter 757 of 2019 requires that a total of $7.0 million be transferred from the Strategic Energy Investment Fund from fiscal 2021 to 2028.

- ***Maryland Economic Development Assistance Authority and Fund:*** $15.5 million in special fund revenues are expected for the Maryland Economic Development Assistance Authority and Fund. This program provides loans, grants, and investments through five major economic development capabilities: (1) significant economic development opportunities; (2) local economic development opportunities; (3) direct assistance to local jurisdictions and the Maryland Economic Development Corporation; (4) regional or local revolving loan funds; and (5) special purpose loans.

- ***Maryland E-Nnovation Initiative:*** $8.6 million in special fund revenues are anticipated from a portion of the State admissions and amusement tax on proceeds from electronic gaming machines. This program offers a State match to private funds raised in support of endowed chairs for scientific and technical research at Maryland's higher education institutions.

- ***Maryland Small Business Development Financing Authority:*** $5.6 million in special fund revenues and $14.3 million in federal funds are expected for the Maryland Small Business Development Financing Authority. This program provides financing assistance to small businesses that are unable to qualify for financing from private lending institutions, including businesses owned by socially and economically disadvantaged individuals. Federal funds are available from the U.S. Treasury's State Small Business Credit Initiative, which provides funding to states for programs that expand access to capital and provide technical assistance for small and underserved businesses. Maryland's allocation totals $198 million, including $45 million to be distributed through the Maryland Small Business Development Financing Authority over several years.

- ***Other:*** $2.5 million in special fund revenues are anticipated from miscellaneous sources, including approximately $800,000 through the Maryland Industrial Development Financing Authority, $350,000 from the Economic Development Opportunity Fund (Sunny Day Fund), and $60,000 from the Maryland Economic Adjustment Fund.

Sections of the Maryland Annotated Code

Economic Development Article, Title 5 (Subtitles 2, 3, 4, 5, and 15) and Title 6 (Subtitle 6)

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Marketing, Tourism, and the Arts

The Division of Marketing, Tourism, and the Arts is expected to generate approximately $13.5 million in revenues from several sources in fiscal 2023, as follows:

- ***Tourism:*** Federal funds of $8.1 million are available from a U.S. Economic Development Administration grant to promote tourism following the COVID-19 pandemic provided through the American Rescue Plan Act. Other tourism revenues include $300,000 in special funds from the Maryland Tourism Board Revolving Fund and $127,000 in federal funds to support tourism in the Chesapeake Bay watershed.

- ***Arts:*** Special funds of $2.3 million from a portion of the admissions and amusement tax imposed on proceeds from electronic gaming machines are expected in fiscal 2023 under the Preservation of Cultural Arts Program and the Maryland State Arts Council. The Preservation of Cultural Arts Program is designed to provide emergency grants for cultural arts organizations that are in danger of closing, and the Maryland State Arts Council supports arts by providing grants, technical assistance, and other support services to arts organizations. Other arts revenues include $300,000 in special funds from local sponsors of the Artists in Education program, which funds artists who work or hold workshops in public schools to supplement the school curriculum; and approximately $900,000 in federal funds from a Promotion of the Arts grant, which is granted to further the objectives of the National Endowment for the Arts.

- ***Marketing:*** The department launched the Maryland Marketing Partnership, a public-private partnership, in 2015 to (1) create a branding strategy for the State; (2) market the State's assets to out-of-state businesses; (3) recruit out-of-state businesses to locate and grow in the State; and (4) foster public-private partnerships that encourage the location and development of new businesses in the State. The partnership is expected to generate $1.5 million in special fund revenues in the form of donations from corporate sponsors in fiscal 2023.

Sections of the Maryland Annotated Code

Economic Development Article, Title 4

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Department of Housing and Community Development

The Department of Housing and Community Development is expected to collect approximately $829.9 million in special and federal funds in fiscal 2023, as shown in **Exhibit 16.2**. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 16.2
Department of Housing and Community Development
Revenue Estimates
Fiscal 2023
($ in Millions)

	Special Funds	Federal Funds	Total
Revenues by Agency/Program			
Division of Development Finance	$90.5	$577.7	$668.2
Division of Neighborhood Revitalization	12.7	107.0	119.7
Division of Credit Assurance	6.9	0.4	7.3
Office of the Secretary/Administrative Offices	21.0	13.7	34.7
Total	**$131.0**	**$698.8**	**$829.9**
Revenues by Source			
COVID-19 Relief Funding			
Broadband		$171.2	$171.2
Homeowner Assistance Fund		100.0	100.0
Emergency Rental Assistance Program		51.6	51.6
State Small Business Credit Initiative		21.9	21.9
Miscellaneous COVID-19 Relief Programs[1]		28.9	28.9
Subtotal	***$0.0***	***$373.6***	***$373.6***
Other			
Section 8 Contract for Project-based Rental Assistance		$259.8	$259.8
EmPOWER Maryland and Washington Gas and Light	40.6		40.6
Tax-exempt Bonds and Administrative Fees[2]	32.9		32.9
Low-income Housing Assistance, Excluding Section 8 Contract		22.6	22.6
Loan Repayment and Interest Earned (Rental Housing Programs)	22.7		22.7
Loan Repayment and Interest Earned (Homeownership Programs)	16.8		16.8
Community Development Block Grants Program		12.9	12.9
Community Services Block Grants Program		10.6	10.6
Federal HOME Investment Partnership Programs		7.8	7.8
Loan Repayment and Interest Earned (Special Loan Programs)	6.1		6.1
Weatherization Assistance		4.9	4.9
Loan Repayment and Interest Earned (Neighborhood Business Development Program)	4.6		4.6

	Special Funds	Federal Funds	Total
Federal Housing Trust Fund		4.3	4.3
Miscellaneous Program Income[3]	7.3	2.3	9.6
Subtotal	***$131.0***	***$325.2***	***$456.3***
Total	**$131.0**	**$698.8**	**$829.9**

[1] Miscellaneous COVID-19 relief programs include the Community Development Block Grant, the Emergency Solutions Grant, and Mainstream rental assistance funding from the Coronavirus Aid, Relief, and Economic Security Act; and the Housing Choice Voucher Program, the HOME Investment Partnerships Program, the Housing Stability Counseling Program, and State Fiscal Recovery funding from the American Rescue Plan Act.
[2] These revenues are derived from the General Bond Reserve Fund.
[3] Miscellaneous special fund revenue sources include the Maryland Housing Fund, the Maryland Affordable Housing Trust, the Housing Counseling and Foreclosure Mediation Fund, Community Legacy program earnings, and Montgomery County funds for homeownership programs. Miscellaneous federal revenue sources include the Emergency Solutions Grant and the Energy Efficiency and Conservation Block Grant programs.

Source: *Fiscal 2023 Governor's Budget Books*; Department of Housing and Community Development; Department of Legislative Services

Development Finance

Excluding funding for COVID-19 relief programs, the fiscal 2023 revenue estimate for the Division of Development Finance is $385.4 million, of which $90.5 million is special funds and $294.9 million is federal funds. These revenues are primarily derived from the following sources:

- ***Federal Housing Assistance:*** The largest share of revenue is $254.5 million in federal funds from the U.S. Department of Housing and Urban Development for services across Maryland, such as conducting management and occupancy reviews, adjusting contract rents, and making monthly housing assistance payments to rental project owners. The amount paid by the U.S. Department of Housing and Urban Development to the Department of Housing and Community Development for performing these contracted services is based on the number of properties in the program as well as the fair market rent in each jurisdiction. The division is also expected to receive federal funds totaling $22.3 million for other low-income housing assistance programs in fiscal 2023, including $19.3 million for the Section 8 Housing Choice Voucher Program for non-entitlement (primarily rural) areas of the State that do not receive a direct federal allocation.

- ***Weatherization and Energy Assistance:*** $39.1 million in special fund revenues and $6.2 million in federal funds are expected for the provision of weatherization and energy assistance. The special funds are derived from EmPOWER Maryland ($30.9 million) and a contract with Washington Gas and Light ($8.3 million), and used to administer the Low Income Energy Efficiency Program, which provides funds to low-income households to install energy conservation materials. EmPOWER Maryland funds are generated by an assessment on ratepayers of Baltimore Gas and Electric, Delmarva Power, Southern Maryland Electric Cooperative, Pepco, and Potomac Edison. The federal funds are available from the U.S. Department of Energy, including $4.9 million for the Weatherization Assistance Program to provide energy efficiency improvements for low-income households and $1.2 million in block grants for energy efficiency and conservation programs.

- ***Rental Housing Production:*** $19.1 million in special funds and $11.9 million in federal funds are anticipated for rental housing production. The special fund revenues are derived from loan repayments, canceled encumbrances, and interest earned on reserves of the Rental Housing Fund, while the federal funds are available from the HOME Investment Partnership Program ($7.6 million) and the Housing Trust Fund ($4.3 million). Both special and federal funds are used to expand the supply of affordable housing through financial assistance to for-profit and nonprofit developers.

- ***Homeownership Programs:*** $15.0 million in special fund revenues consist of loan repayments and interest earned on reserves of the Maryland Homeownership Programs Fund. The department's homeownership programs include (1) the Maryland Home Financing Program, which makes direct loans to very low-income households to purchase homes; (2) the Downpayment and Settlement Expense Loan Program to assist households with limited income in meeting closing cost requirements; (3) the Smart Buy program, which assists homebuyers with student loan debt; and (4) the HomeAbility program, which provides down payment and closing cost assistance to households with disabled persons. The department also expects $2.0 million in additional special funds from Montgomery County under a memorandum of understanding to provide down payment assistance to homebuyers in that county.

- ***Special Loan Programs:*** $6.1 million in special fund revenues are derived from loan repayments and interest on reserves of the Special Loan Programs Fund. Program components include the Maryland Housing Rehabilitation Program, the Indoor Plumbing Program, the Lead Hazard Reduction Program, the Group Home Financing Program, and the Accessible Homes for Seniors Program. Collectively, the programs provide loans or grants for the abatement of lead hazards; rehabilitation to eliminate health, safety, and maintenance deficiencies in residential properties; and acquisition, construction, and modifications of group homes for low-income, elderly, disabled, or others with special housing needs.

- ***Other:*** The division's remaining $10.0 million in special fund revenues are primarily derived from the General Bond Reserve Fund from fees related to the issuance of tax-exempt bonds by the Community Development Administration. Revenues are used to cover administrative expenses across all divisions at the department.

Sections of the Maryland Annotated Code

Housing and Community Development Article, Title 4

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Neighborhood Revitalization

Excluding funding for COVID-19 relief programs, the revenue estimate for the Division of Neighborhood Revitalization is $37.1 million in fiscal 2023, of which $12.7 million are special funds and $24.4 million are federal funds. These revenues are primarily derived from the following sources:

- ***Community Development Block Grants:*** $12.9 million in federal funds are expected from the U.S. Department of Housing and Urban Development. These funds provide competitive grants to local governments in non-entitlement areas of the State for use in revitalizing neighborhoods, expanding affordable housing and economic opportunities, or improving community facilities and services. Entitlement areas receive a direct allocation of block grant funds from the U.S. Department of Housing and Urban Development and are not eligible for the State program. In addition, the State will receive $1.0 million in federal funds for Emergency Solutions Grants. These grants are provided to State and local governments and organizations to provide homeless persons with basic shelter and essential supportive services.

- ***Community Services Block Grants:*** $10.5 million in federal funds are anticipated to be provided through the U.S. Department of Health and Human Services. These funds, administered by community action agencies, are used for services to low-income individuals and families to assist this population in becoming self-sufficient.

- ***Housing Counseling and Foreclosure Mediation Fund:*** $2.6 million in special funds are derived from filing fees to support foreclosure mediation and prevention programs. While a portion of the revenues will support foreclosure outreach activities, community events, and housing counseling through the Department of Housing and Community Development, a portion of the funds will support foreclosure mediation activities in the Office of Administrative Hearings.

- ***Neighborhood Business Development Program Fund:*** $4.6 million in special funds across the department, including $2.2 million within the Division of Neighborhood Revitalization, are generated through loan repayments and interest on reserves. The program provides gap financing in the form of low-interest loans and grants to small businesses and nonprofit organizations in support of community-based economic development in designated revitalization communities.

- ***Other:*** An additional $7.9 million in special fund revenues are expected for fiscal 2023, including $6.3 million derived from the General Bond Reserve Fund as well as $1.5 million from the Maryland Affordable Housing Trust from interest earned on the escrow accounts of title insurance companies. The trust is a charitable public corporation administered by a board of trustees and the department. Funds are provided to assist in the acquisition, construction, rehabilitation, or preservation of affordable housing.

Sections of the Maryland Annotated Code

Housing and Community Development Article, Title 6

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Credit Assurance and Administrative Offices

The Division of Credit Assurance is expected to receive special funds of $6.9 million in fiscal 2023. While most of these special funds are derived from the General Bond Reserve Fund, approximately $560,000 in revenues are anticipated from mortgage insurance premiums credited to the Maryland Housing Fund. The Maryland Housing Fund provides residential mortgage loan primary insurance and pool insurance for mortgages financed with revenue bond proceeds issued by the Community Development Administration. The division is also expected to receive federal funds totaling $370,000 for administration of federal COVID-19 relief programs.

The department's administrative offices also derive $11.3 million of their anticipated $21.0 million in special fund revenues from the General Bond Reserve Fund. Other special funds for program administration come from revenues generated in other divisions across the department, including $3.3 million from the Rental Housing Fund, $1.9 million from the Neighborhood Business Development Program Fund, and $1.3 million from EmPOWER Maryland. Federal funds for administrative activities totaling $13.7 million are derived primarily from the U.S. Department of Housing and Urban Development Section 8 administration contract ($5.3 million) and COVID-19 relief programs ($7.8 million).

Sections of the Maryland Annotated Code

Housing and Community Development Article, Title 3

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

COVID-19 Relief Funding

The department is responsible for administering nearly $375 million in anticipated federal revenues for COVID-19 relief programs in fiscal 2023. The revenues for many of these programs are spread across multiple divisions within the department, although the Division of Development Finance is the primary administrator of the Homeowner Assistance Fund, while the Division of Neighborhood Revitalization primarily manages Emergency Rental Assistance and State Small Business Credit Initiative funds. Broadband funding is budgeted within the Division of Development Finance. Anticipated revenues for COVID-19 relief programs in fiscal 2023 are as follows:

- ***Broadband:*** $171.2 million in federal funds from the American Rescue Plan Act in fiscal 2023 will be utilized to expand broadband infrastructure to unserved and underserved areas of the State. The department's broadband programs are administered through the Office of Statewide Broadband, and the fiscal 2023 funding is part of a $400 million multi-year investment in broadband infrastructure using federal American Rescue Plan Act funds. In addition, the department expects a minimum of $100 million in federal funds for broadband expansion from the Infrastructure Investment and Jobs Act, although the timing of these federal revenues is uncertain.

- ***Homeowner Assistance Fund:*** $100.0 million in federal funds in fiscal 2023 from the American Rescue Plan Act will be utilized to provide relief to homeowners at risk of displacement through foreclosure or loss of utilities or home energy services. Maryland's overall funding allocation for this program totals $248.6 million, and the department expects to use this funding across fiscal 2022 to 2025.

- ***Emergency Rental Assistance:*** $51.6 million in federal funds in fiscal 2023 from the Coronavirus Response and Relief Supplemental Appropriations Act and the American Rescue Plan Act will be directed to provide rental assistance to low- and moderate-income households who experienced financial hardship due to COVID-19. Most of the funding for this program was allocated in prior fiscal years.

- ***State Small Business Credit Initiative:*** $21.9 million in federal funds are anticipated in fiscal 2023 from the American Rescue Plan Act under the State Small Business Credit Initiative. The initiative provides funding to states for programs that expand access to capital and provide technical assistance for small and underserved businesses. Maryland's allocation totals $198 million, including $103 million to be distributed through the department's Neighborhood Business Development Program over several years.

- ***Other:*** An additional $28.9 million in other federal COVID-19 relief funds are expected for fiscal 2023, primarily consisting of $25.0 million in State-directed federal funds from the American Rescue Plan Act for the department's Project Restore initiative to provide grants to businesses opening or expanding in vacant space. The remaining federal relief funds anticipated in fiscal 2023 include $2.0 million in supplemental funding for the Housing Choice Voucher program, $900,000 for the Homeownership Works program to promote homeownership in targeted neighborhoods, and administrative funds for several other relief programs.

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Chapter 17. Environment, Agriculture, Natural Resources, and Energy

Maryland Department of the Environment

A summary of the revenues to be collected by the Maryland Department of the Environment in fiscal 2023 is provided in **Exhibit 17.1**. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 17.1
Maryland Department of the Environment Revenue Estimates
Fiscal 2023
($ in Millions)

	Special Funds	Federal Funds	Total
Revenues by Agency/Program			
Air and Radiation	$9.7	$5.1	$14.8
Land and Materials	19.7	14.9	34.6
Water and Science	313.5	227.9	541.4
Miscellaneous	6.8	4.2	11.1
Total	**$349.7**	**$252.1**	**$601.9**
Revenues by Source			
Air and Radiation			
Maryland Clean Air Fund	$3.2	$0.0	$3.2
Strategic Energy Investment Fund	2.9	0.0	2.9
State Radiation Control Fund	3.6	0.0	3.6
Performance Partnership Grants	0.0	4.1	4.1
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	0.0	0.6	0.6
Food and Drug Administration Research	0.0	0.1	0.1
State Clean Diesel Grant Program	0.0	0.3	0.3
Subtotal	***$9.7***	***$5.1***	***$14.8***

	Special Funds	Federal Funds	Total
Land and Materials			
Community Right to Know Fund	$0.3	$0.0	$0.3
State Hazardous Substance Control Fund	0.6	0.0	0.6
Brownfields Voluntary Cleanup Fund	0.2	0.0	0.2
State Memorandum of Agreement Program for the Reimbursement of Technical Services	0.0	1.5	1.5
Coal Combustion Byproducts Management Fund	1.5	0.0	1.5
Hazardous Substance Response Trust Fund Program	0.0	1.0	1.0
Performance Partnership Grants	0.0	1.8	1.8
Oil Disaster Containment, Cleanup, and Contingency Fund	6.8	0.0	6.8
Oil Contaminated Site Environmental Cleanup Fund	0.5	0.0	0.5
Underground Storage Tank Program	0.0	1.4	1.4
State Used Tire Cleanup and Recycling Fund	3.4	0.0	3.4
Lead Poisoning Prevention Program	4.7	0.5	5.2
State Recycling Trust Fund	0.4	0.0	0.4
Bituminous Coal Open-Pit Mining Reclamation Fund	0.2	0.0	0.2
Deep Mining Fund	0.1	0.0	0.1
Surface Mined Land Reclamation Fund	0.2	0.0	0.2
Acid Mine Drainage Abatement and Treatment Fund	0.7	0.0	0.7
Abandoned Mine Land Reclamation Program	0.0	7.8	7.8
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	0.0	0.9	0.9
Subtotal	***$19.7***	***$14.9***	***$34.6***
Water and Science			
Maryland Clean Water Fund	$2.6	$0.0	$2.6
Maryland Water Quality Revolving Loan Fund	106.9	84.1	191.0
Bay Restoration Fund	176.2	0.0	176.2
Chesapeake Bay Regulatory Accountability Program	0.0	1.3	1.3
Water Quality Financing Administrative Fees	6.7	0.0	6.7
Nonpoint Source Implementation Grants	0.0	2.2	2.2
Water Quality Management Planning Program	0.0	0.3	0.3
Performance Partnership Grants	0.0	4.2	4.2
Cooperating Technical Partners	0.0	0.9	0.9
Beach Monitoring and Notification Program Implementation Grants	0.0	0.4	0.4
Community Assistance Programs – State Support Services Element	0.0	0.1	0.1

	Special Funds	Federal Funds	Total
National Dam Safety Program	0.0	0.2	0.2
Maryland Drinking Water State Revolving Fund[1]	17.9	133.9	151.8
Wetlands And Waterways Program Fund	2.7	0.0	2.7
Nontidal Wetlands Compensation Fund	0.5	0.0	0.5
Regional Wetland Program Development Grants	0.0	0.2	0.2
Environmental Quality Incentives Program	0.0	0.1	0.1
Subtotal	***$313.5***	***$227.9***	***$541.4***
Miscellaneous			
Special Indirect Cost Recoveries	$6.2	$0.0	$6.2
Transportation Trust Fund	0.6	0.0	0.6
Pollution Prevention Grants Program	0.0	0.1	0.1
Federal Indirect Cost Recoveries	0.0	4.1	4.1
Subtotal	***$6.8***	***$4.2***	***$11.1***
Total	**$349.7**	**$252.1**	**$601.9**

[1] Revenues include funds for capital program, program set-asides, and administration.

Note: Numbers may not sum to total due to rounding.

Source: Department of Budget and Management; Department of Legislative Services

Air and Radiation

The Air and Radiation Administration expects to generate approximately $14.8 million in fiscal 2023, including $9.7 million in special funds and $5.1 million in federal funds.

The Maryland Clean Air Fund is expected to generate $3.2 million in special fund revenues from application fees, permit fees, penalties, and asbestos license and training approval fees. These fees generally support the State's efforts to identify, monitor, and regulate air pollution in the State. Additionally, the department expects to receive approximately $2.9 million from the Maryland Energy Administration's Strategic Energy Investment Fund for administering the State's participation in the Regional Greenhouse Gas Initiative ($300,000) and for renewable energy and climate change programs ($2.6 million). These funds represent only a small portion of the total amount of auction proceeds deposited into the Strategic Energy Investment Fund; total auction proceeds and the various uses of the funds are discussed in more detail later in this chapter.

Special funds of $3.6 million are attributed to the State Radiation Control Fund from license fees, registration fees, radiation machine certification fees, penalties, and other funds. This fund is used for activities related to identifying, monitoring, and controlling sources of radiation, including radiation machines and for program development of these activities. The $3.6 million is comprised of $3.2 million budgeted in the Air and Radiation Administration and approximately $405,000 budgeted in the Coordinating Offices' Office of Emergency Preparedness and Response.

Federal funds of $4.1 million will be received for Air Pollution Control Program Support through the departmental Performance Partnership Grant. A total of $10.1 million is anticipated for the Performance Partnership Grant in each of the Air and Radiation Administration, the Land and Materials Administration, and the Water and Science Administration and will be discussed in further detail under each administration. The department also expects to receive federal funding to monitor air quality through funding for various activities relating to the Clean Air Act ($615,000), to inspect mammography machines through Food and Drug Administration Research ($118,000), and to mitigate air pollution from diesel powered multi-passenger transportation devices through the State Clean Diesel Grant Program ($254,000).

Sections of the Maryland Annotated Code

Environment Article, Sections 2-107 and 8-306

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume VII – Business Regulation in Maryland

Land and Materials Administration

The Land and Materials Administration is expected to receive $34.6 million, including $19.7 million in special funds and $14.9 million in federal funds in fiscal 2023. These funds will support activities related to hazardous materials and hazardous substances, oil control, solid waste management, used tire recycling, lead poisoning prevention, and mining.

Hazardous Materials and Hazardous Substances

Special fund revenues for hazardous materials and hazardous substances are projected to be $2.6 million in fiscal 2023; federal fund revenues are estimated to be $4.2 million.

Special fund revenues of approximately $322,000 are anticipated from fees levied on owners and operators of facilities that manufacture, store, and use hazardous and toxic chemicals. These fees will be credited to the Community Right-to-Know Fund and used to provide grants to local emergency planning committees; to collect, manage, and analyze data submitted by facilities; and to plan and train for chemical emergencies. Of this amount, approximately $120,000 is in the

Land and Materials Administration, and $201,000 is in the Coordinating Offices' Office of Emergency Preparedness and Response.

Special fund revenues of $582,000 are anticipated from hazardous waste facility permit fees and license fees for trucks and drivers engaged in the transportation or storage of hazardous materials. Funds are credited to the State Hazardous Substance Control Fund and are used to identify, monitor, and control the proper disposal, storage, transportation, and treatment of hazardous substances. Of the funds from the State Hazardous Substance Control Fund, approximately $405,000 is budgeted in the Land and Materials Administration, and approximately $177,000 is budgeted in the Coordinating Offices' Office of Emergency Preparedness and Response.

The Voluntary Cleanup Fund should receive approximately $203,000 in special funds in fiscal 2023 from application fees collected under the Voluntary Cleanup Program. Under this program, the department streamlines the environmental assessment and cleanup process for industrial or commercial properties (brownfields) that are contaminated, or thought to be contaminated, by hazardous substances in order to encourage their redevelopment. Funds are used for activities related to the review of proposed voluntary cleanup projects and the direct administrative oversight of these projects, including cost recovery and program development. Chapter 544 of 2020 required the Maryland Department of the Environment to waive application fees for a qualifying applicant who intends to use eligible property to generate clean or renewable energy while also expanding the definition of eligible property to include sites listed on the Superfund Enterprise Management System. The State also expects to receive $1.5 million from the State Memorandum of Agreement Program for the Reimbursement of Technical Services, which is related to the State's support of Department of Defense Environmental Restoration Program activities such as the cleanup of hazardous waste sites.

The State Coal Combustion Byproducts Management Fund is expected to generate approximately $1.5 million in special fund revenues from fees assessed on each ton of coal combustion byproducts generated. Fees credited to the fund are used to administer and implement programs to control the disposal, use, recycling, processing, handling, storage, transport, and management of coal combustion byproducts. Fees credited to the fund may also be used for costs incurred by the State to inspect, evaluate, and regulate coal combustion byproducts.

The Hazardous Substance Response Trust Fund Program is expected to receive approximately $953,000 in federal funds. Also known as Superfund, these funds are used to clean up hazardous waste sites that are found to pose the most imminent hazards to human health.

The State will receive approximately $1.8 million in federal funds for Hazardous Waste Management State Program Support as a part of the departmental Performance Partnership Grant. These funds are used several ways, including the implementation of the State's hazardous waste program to control the generation, transportation, treatment, storage, and disposal of hazardous wastes.

Oil Control/Underground Storage Tank Program

A surcharge on oil transported into the State should generate approximately $6.8 million in special fund revenues for the Maryland Oil Disaster Containment, Cleanup, and Contingency Fund; these revenues are to be allocated as follows: (1) $5.0 million to the Land and Materials Administration; (2) $1.1 million to the Coordinating Offices for the Office of Emergency Preparedness and Response; (3) approximately $630,000 to the Water and Science Administration for compliance purposes; and (4) approximately $98,000 to the Air and Radiation Administration for compliance purposes. The oil transfer fee for fiscal 2023 is 8.0 cents per barrel. Beginning July 1, 2024, the fee decreases to 5.0 cents per barrel. Of this fee, 0.25 cents per barrel is credited to the State Oil Contaminated Site Environmental Cleanup Fund until July 1, 2024. Revenues generated from the fee are used to (1) monitor and enforce oil control laws and regulations; (2) assist in oil spill cleanup and remediation; and (3) reimburse underground storage tank owners or operators for costs incurred in the cleanup of contaminated sites.

The federal Underground Storage Tank programs are anticipated to provide the department with approximately $1.4 million in federal funds to support enforcement and cleanup activities related to petroleum releases from underground storage tanks.

Used Tire Cleanup and Recycling Fund

A per tire fee of 80 cents is levied on the sale of new tires in the State, which is anticipated to generate $3.4 million in special funds in fiscal 2023. These revenues are deposited into the State Used Tire Cleanup and Recycling Fund to support efforts to properly recycle or dispose of waste materials from automotive tires.

Lead Poisoning Prevention Program

Special fund revenues for the Lead Poisoning Prevention Program are derived from lead accreditation fees from those involved in lead abatement activities, annual registration fees paid by rental property owners, and fines and penalties. These fees are used for (1) case management services for persons with elevated blood lead levels; (2) community outreach to high lead risk areas; (3) activities related to processing, monitoring, and regulating the accreditation of lead paint abatement services; and (4) program development of lead abatement activities. Fiscal 2023 revenues from these sources are projected to total $4.7 million in special funds and approximately $521,000 in federal funds.

State Recycling Trust Fund

The department administers the State Recycling Trust Fund, which is used to provide grants to counties and municipalities to develop and implement local recycling plans and to address methods for separate collection and recycling of covered electronic devices. The fund's main source of revenue is a covered electronic registration device fee of up to $10,000. In addition to the covered electronic device fee, the fund also receives revenues from the newsprint recycling incentive fee, telephone directory recycling incentive fee, and fines and penalties. Approximately

$362,000 in special funds is expected to be received for the State Recycling Trust Fund in fiscal 2023.

Mining

Special funds totaling $1.3 million and federal funds totaling $8.7 million, a total of $10.0 million, are anticipated to support the department's activities relating to mining.

The department expects to receive special funds of approximately $592,000 from coal and mineral license and permit fees and coal removal surcharges from coal mining operators. Three separate special funds exist to support land reclamation and associated costs resulting from the removal of coal, as follows:

- Bituminous Coal Open-Pit Mining Reclamation Fund – approximately $213,000;
- Deep Mining Fund – approximately $140,000; and
- Surface Mined Land Reclamation Fund – approximately $240,000.

For each ton of coal removed by strip or open-pit mining, a surcharge of 15 cents is levied. Of this amount, 9 cents is credited to the Bituminous Coal Open-Pit Mining Reclamation Fund, and 6 cents is deposited into the Bond Supplemental Reserve until the fund reaches a certain amount. The 6 cents is then distributed to the county from which the coal was removed.

Strip miners and open-pit miners are also assessed a 2-cent bond supplement reserve surcharge on each ton of coal removed. This is subject to temporary termination when the balance of the bond supplement reserve exceeds certain limits.

The department anticipates that approximately $742,000 in fiscal 2023 special funds will be credited to the Acid Mine Drainage Abatement and Treatment Fund. This fund is used to abate and treat acid mine drainage in accordance with federal law.

Federal funds of $8.7 million further support land and mine reclamation efforts and enforcement of mining restrictions. Specifically, anticipated fiscal 2023 federal funds include approximately $7.8 million for the Abandoned Mine Land Reclamation Program and approximately $945,000 for the Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining programs.

Sections of the Maryland Annotated Code

Environment Article, Sections 4-411, 4-704, 6-843 through 6-844, 6-1003 through 6-1005, 7-218 through 7-221, 7-501 through 7-506.1, 7-604, 9-228, 9-273 through 9-276, 9-281 through 9-284, 9-1707, 9-1727 through 9-1730, 15-509, 15-515 through 15-517, 15-604, 15-805, and 15-1103

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume VI – Business Regulation in Maryland

Water and Science Administration

Water-related activities span several different administrations within the department, including the Water and Science Administration, the Land and Materials Administration, and the Coordinating Offices. In addition, the majority of the capital programs fall under the auspices of water management activities.

In fiscal 2023, water management activities – including those related to water pollution control, water supply, wetlands, and waterways – are projected to receive $541.4 million, including $313.5 million in special funds and $227.9 million in federal funds.

Water Pollution Control

The Maryland Clean Water Fund is expected to receive $2.6 million in special funds in fiscal 2023, of which $2.1 million is budgeted in the Water and Science Administration and approximately $559,000 is budgeted in the Land Materials Administration for supporting sewage sludge utilization activities. Revenues deposited into the fund are generated from the issuance of industrial discharge permits and corresponding fines, penalties, and court awards. These funds will be used to support the monitoring, enforcement, and inspection of water pollution sources, as well as efforts to analyze the effects of water pollution. The fund will also receive revenues from sewage sludge generator fees, permit application fees, and various penalties including penalties from sediment control violations. These funds are used for emergency removal of sewage sludge and mitigation activities, inspection of construction sites and sewage sludge utilization sites, and monitoring activities. Chapter 760 of 2019 required a one-time permit application fee for a proposed new specified larger concentrated animal feeding operation and an annual fee for an existing specified larger concentrated animal feeding operation. In addition, Chapter 760 prohibited the Maryland Department of the Environment from waiving the permit fee for any concentrated animal feeding operation. The fee revenue is deposited in the Maryland Clean Water Fund. Chapter 22 of 2022 required the Maryland Department of the Environment to clear the backlog of administratively continued permits by December 31, 2026, which may increase the amount of administrative penalty revenue also deposited into the Maryland Clean Water Fund.

The department expects to receive $106.9 million in special funds and $84.1 million in federal funds for the Maryland Water Quality Revolving Loan Fund in fiscal 2023. These funds will be used to finance local government water quality improvement projects. Chapters 237 and 238 of 2022 required the renamed Maryland Water Quality Infrastructure Administration to establish a technical assistance subaccount within the Water Quality Revolving Loan Fund for the purpose of providing technical assistance for projects in rural, small, and tribal communities, including financial assistance to support the development of an application for financial assistance or a financing plan under the Water Quality Revolving Loan Fund. Eligible projects include improvements at wastewater treatment plants, failing septic systems, and nonpoint source management projects, such as urban stormwater control projects. Water Quality Financing Administration administrative fees funding, described below, will support program administration.

In an effort to reduce nutrient loading into the Chesapeake Bay from point sources, Chapter 428 of 2004 established the Bay Restoration Fund within the department. As a revenue source for the fund, Chapter 428 imposed a fee of approximately $30 per year for residential users and up to $120,000 per year for commercial and industrial users of wastewater treatment plants, septic systems, and sewage holding tanks. In order to address a significant funding shortfall, Chapter 150 of 2012 generally doubled the bay restoration fee until July 1, 2030. Chapter 150 also established additional uses for the fund beginning in fiscal 2018. Chapter 153 of 2015 further expanded authorized uses of the Bay Restoration Fund by providing funding for up to 87.5% of the cost of projects relating to combined sewer overflow abatement, rehabilitation of existing sewers, and upgrading conveyance systems, including pumping stations. Chapters 368 and 369 of 2017 expanded the allowable uses of the Bay Restoration Fund to include biological nutrient removal projects. Chapter 44 of 2020 authorized Bay Restoration Fund funding to be used for stormwater measures relating to water quality, climate resiliency, and flood control.

Legislation has been enacted in recent years implementing mandatory distributions from the Bay Restoration Fund. Chapters 366 and 367 of 2017 (Clean Water Commerce Act) expanded the uses of the Bay Restoration Fund to include the purchase of cost-effective nutrient and sediment load reductions. Chapters 694 and 695 of 2021 reauthorized the Clean Water Commerce Act through June 30, 2030, and required the transfer of $20.0 million annually from the Bay Restoration Fund Wastewater Account to the Clean Water Commerce Account, which must be used to purchase “environmental outcomes” to help the State achieve the Chesapeake Bay Total Maximum Daily Load. Chapter 645 of 2021 transferred funding from the Bay Restoration Fund in fiscal 2023 only as follows: (1) $10.0 million to the Chesapeake Bay Trust’s Urban Trees Program; (2) $2.5 million to the Department of Natural Resources’ Chesapeake and Atlantic Coastal Bays 2010 Trust Fund; and (3) $2.5 million to the Maryland Department of Agriculture for tree plantings under the Conservation Reserve Enhancement Program and other tree-planting programs on agricultural land.

In contrast to previous legislation expanding the use of the Bay Restoration Fund, Chapters 341 and 342 of 2022 placed restrictions on the use of the Bay Restoration Fund for upgrades to privately owned wastewater facilities.

The department expects to receive $176.2 million in Bay Restoration Fund revenues in fiscal 2023. Of this amount, the department expects to allocate $78.1 million for grants to upgrade wastewater treatment plants, $33.0 million for debt service payments, $20.0 million for the purposes of the Clean Water Commerce Act, $15.0 million for septic system and sewage holding tanks, $15.0 million for the Tree Solutions Now Act, $11.0 million for operations and maintenance grants to wastewater treatment plants upgraded to enhanced nutrient removal technology, $1.6 million for septic system grant administration by the department, $1.5 million for septic system grant administration for local governments, and $1.0 million for administrative expenses. The fee revenue collected from users of wastewater treatment plants will be used to provide grants to wastewater treatment plant owners to upgrade their facilities with enhanced nutrient removal technology and for other expanded uses. A "septics account" within the Bay Restoration Fund receives 60% of the fee revenue collected from users of septic systems and sewage holding tanks. This funding will be used to provide grants to upgrade septic systems and sewage holding tanks.

Chapter 419 of 2022 further expanded the Maryland Department of the Environment's oversight of septic professionals. The Act required all individuals who provide onsite wastewater services to pay a $150 fee by December 31, 2022, and every two years thereafter until the Maryland Department of the Environment sets license fees through regulation that are intended to approximate the costs of the new State Board of On-Site Wastewater Professionals. The license fees accrue to the new On-Site Wastewater Professional Fund established by the legislation.

The department also expects to receive $1.3 million in federal funds to help clean up the bay through the Chesapeake Bay Regulatory Accountability Program. Of those funds, $1.1 million is allocated to the Water and Science Administration, and the balance of approximately $115,000 is budgeted for work on the General Discharge Permit for Animal Feeding Operations in the Land and Materials Administration.

The Water Quality Financing Administration Administrative Fees funding reflects the fees charged to loans in order to cover program operating expenses. In fiscal 2023, $6.7 million is expected for the program, comprised of $3.3 million in the Water and Science Administration and $3.4 million in the Coordinating Offices.

The department expects to receive $2.2 million in federal funds for grants and administrative costs associated with implementation of the Nonpoint Source Implementation Program under the federal Clean Water Act. The State may use these funds to support a wide variety of activities including technical assistance, financial assistance, education, training, technology transfer, demonstration projects, and monitoring to assess the success of specific nonpoint source implementation projects. In addition, the department expects to receive approximately $302,000 from the Water Quality Management Planning Program under the federal Clean Water Act to support water quality assessment and planning projects that promote healthy aquatic ecosystems.

Approximately $4.2 million in federal funds will be received for Water Pollution Control – State and Interstate Program Support as part of the departmental Performance Partnership Grant. Funds will be used to maintain adequate measures for prevention and control of surface and ground water pollution from both point and nonpoint sources. The department also anticipates receiving approximately $870,000 in federal funds for flood plain identification, mapping, and management.

Water Supply Program

The administration expects to receive $151.8 million, including $17.9 million in special funds and $133.9 million in federal funds, for activities relating to the State's drinking water supply in fiscal 2023.

Special funds totaling $17.5 million are projected in interest and loan repayments to the Maryland Drinking Water Revolving Loan Fund, including an additional approximately $405,000 in administrative fee revenue. The fund has been traditionally used to finance drinking water improvement projects, such as treatment plants, water main distribution replacements, consolidation of community water systems, and for program administration. In order to take advantage of all forms of federal assistance offered, Chapter 28 of 2014 expanded the authorized uses of the fund to include providing financial assistance in the form of grants, negative interest loans, forgiveness of principal, subsidized interest rates, and any other form of financial assistance authorized or required under various federal laws. Chapters 237 and 238 required the Maryland Water Quality Infrastructure Administration to establish a technical assistance subaccount within the Drinking Water Revolving Loan Fund for the purpose of providing technical assistance to small drinking water systems.

The federal fund revenue for the program is estimated to be $133.9 million for capital projects, operating costs, and certain drinking water program (set aside) activities consistent with the federal Safe Drinking Water Act.

Wetlands and Waterways

For fiscal 2023, special funds totaling $3.2 million and federal funds totaling approximately $197,000 are anticipated to support wetlands and waterways activities.

Permit fees paid into the Wetlands and Waterways Program Fund are used to provide an improved level of service to the regulated community throughout the permitting process. This fund is also the repository for fees for utility crossings based on Board of Public Works requirements, which were previously deposited into the Tidal Wetlands Compensation Fund. The department anticipates $2.7 million in permit and utility fees in fiscal 2023.

The department anticipates special funds of approximately $525,000 from payments into the Nontidal Wetland Compensation Fund resulting from permits issued by the department. Revenue for the fund is derived from any monetary compensation paid by an applicant instead of engaging in the creation, restoration, or enhancement of nontidal wetlands and any related civil or criminal penalty imposed by a court. Funds are used for the creation, restoration, and enhancement of nontidal wetlands. The department also anticipates approximately $197,000 in federal grants for living shoreline projects and tidal wetlands activities.

Sections of the Maryland Annotated Code

Environment Article, Sections 5-203.1, 5-909, 9-244, 9-320, 9-1605 through 9-1605.2

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume VI – Maryland Local Government
Volume VII – Business Regulation in Maryland

Miscellaneous

The Maryland Department of the Environment also receives revenues from various miscellaneous sources. These sources are expected to generate a total of $11.1 million in fiscal 2023 ($6.8 million in special funds and $4.2 million in federal funds), primarily from indirect cost recoveries.

Maryland Department of Agriculture

The Maryland Department of Agriculture is projected to generate revenues of approximately $113.9 million in fiscal 2023, comprised of $106.1 million in special funds and $7.8 million in federal funds, as shown in **Exhibit 17.2**. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them. The second part of the exhibit is an alternative summary of the same revenues, shown by source.

Exhibit 17.2
Maryland Department of Agriculture Revenue Estimates
Fiscal 2023
($ in Millions)

	Special Funds	Federal Funds	Total
Revenues by Agency/Program			
Agricultural Land Preservation	$71.3	$0.0	$71.3
Plant Industries and Pest Management	7.1	2.7	9.8
Marketing, Animal Industries, and Consumer Services	9.3	2.6	12.0
Resource Conservation	18.3	2.1	20.3
Miscellaneous	0.1	0.4	0.5
Total	**$106.1**	**$7.8**	**$113.9**
Revenues by Source			
Agricultural Land Preservation			
Agricultural Land Preservation	$71.3	$0.0	$71.3
Subtotal	***$71.3***	***$0.0***	***$71.3***

	Special Funds	Federal Funds	Total
Plant Industries and Pest Management			
Forest Pest Management and Mosquito Control	$2.3	$0.6	$2.9
Plant Protection and Weed Management	0.3	1.5	1.8
Pesticide Regulation	0.9	0.5	1.4
Turf and Seed	0.3	0.0	0.3
State Chemist	3.3	0.1	3.4
Subtotal	***$7.1***	***$2.7***	***$9.8***
Marketing, Animal Industries, and Consumer Services			
Weights and Measures Fees	$1.9	$0.0	$1.9
Food Quality Assurance	0.1	1.0	1.0
Egg Law Fund	2.1	0.0	2.1
Animal Health	0.5	0.7	1.1
State Board of Veterinary Medical Examiners	0.8	0.0	0.8
Maryland Horse Industry Board	0.4	0.0	0.4
Maryland Agricultural Fair Board – Horse Racing Revenue	1.5	0.0	1.5
Agricultural Marketing	0.4	1.0	1.4
Cigarette Restitution Fund	0.9	0.0	0.9
Spay/Neuter Fund	1.0	0.0	1.0
Subtotal	***$9.3***	***$2.6***	***$12.0***
Resource Conservation			
Conservation Operations	$0.6	$0.0	$0.6
Chesapeake Bay Program	0.0	2.1	2.1
Chesapeake Bay Restoration Fund	17.1	0.0	17.1
Poultry Transportation Fund	0.6	0.0	0.6
Subtotal	***$18.3***	***$2.1***	***$20.3***
Miscellaneous			
Miscellaneous	$0.1	$0.4	$0.5
Subtotal	***$0.1***	***$0.4***	***$0.5***
Total	**$106.1**	**$7.8**	**$113.9**

Note: Totals may not sum due to rounding.

Source: Department of Budget and Management; Department of Legislative Services

Agricultural Land Preservation

The Maryland Agricultural Land Preservation Program was created to preserve productive agricultural land and woodland that provides for the continued production of food and fiber, limit the extent of urban development, and protect agricultural land and woodland as open space. The Maryland Agricultural Land Preservation Foundation, with the assistance and cooperation of landowners and local governments, purchases development rights easements as a means of protecting agricultural land and woodland production activities.

Special fund revenues for agricultural land preservation are expected to total $71.3 million in fiscal 2023. The fiscal 2023 special fund revenues include $58.5 million from the transfer tax, $10.0 million from local subdivision participation for the agricultural land preservation capital program, and $2.8 million from agricultural transfer tax revenues and other income sources. See "Chapter 6. Property Taxes" of this handbook for more information on the property transfer tax and the agricultural land transfer tax.

Plant Industries and Pest Management

The department expects to receive a total of $9.8 million, including $7.1 million in special funds and $2.7 million in federal funds, to support the department's efforts related to plant industries and pest management.

Special fund revenues of $2.3 million come from local governments for the shared costs of forest pest management and mosquito control. The department will also receive approximately $603,000 in federal funds in fiscal 2023 for forest pest management. These funds are used to monitor and assess insect and disease situations and to implement any necessary control methods.

Special funds of approximately $272,000 are projected from nursery license, registration, service, and inspection fees. These fees and $1.5 million in federal funds will be used for various plant protection activities, including nursery inspection, plant quarantine, nuisance bird control, and registration of honey bee colonies.

Pesticide regulation activities are expected to generate approximately $897,000 in special fund revenues from license, registration, and certification fees. Special fund revenues collected by the department for pesticide activities are used to license businesses that commercially apply pesticides, train and certify pesticide applicators, and enforce pesticide laws and regulations. The department will also receive approximately $480,000 in federal funds for pesticide compliance monitoring.

Turf and seed certification and testing fees should generate approximately $340,000 in special funds to support conducting certification programs that ensure products meet purity, variety, germination, and labeling standards. Chapter 228 of 2019 altered the Industrial Hemp Pilot Program established by Chapters 475 and 476 of 2018 to be the Hemp Research Pilot Program and established a regulatory framework for the commercial production of hemp in Maryland including a Hemp Farming Fund to support the program.

Special fund revenues of $3.3 million come from registration and inspection fees collected by the State chemist. The program registers, examines, and tests products, such as fertilizers, pesticides, and animal feed, as part of the department's efforts to enforce Maryland laws governing quality, content, and labeling. An additional $98,000 in federal funds will augment the funding for this program.

Marketing, Animal Industries, and Consumer Services

The Marketing, Animal Industries, and Consumer Services Division is expected to receive $9.3 million in special funds and $2.6 million in federal funds in fiscal 2023.

Special fund revenues of $1.9 million are projected from fees charged by the Weights and Measures Section, which ensures accuracy, equity, and the prevention of fraud in the sale and measurement of commodities and similar transactions.

Fees for the inspection and grading of eggs, poultry, grain, fruits, and vegetables for quality and size are expected to generate special fund revenues of $2.1 million. The majority of these fees will be credited to the Egg Law Fund, which is used to defray the administrative expenses of the department ($2.1 million). The remaining fees of approximately $60,000 will be used to inspect and grade products and license grain dealers. The department also expects to receive federal grant funding of approximately $878,000 for the produce safety program and approximately $102,000 for food quality assurance activities.

Laboratory fees from testing animal health samples and livestock licensing fees are anticipated to generate approximately $481,000 in special fund revenues in fiscal 2023. These fees will be used for the department's Animal Health Program, which oversees animal disease control programs, operates diagnostic laboratories, and controls the importation of animals. Additionally, the Animal Health Program is expected to receive approximately $665,000 in federal grants. These funds will primarily be used to support Maryland's participation in various national programs aimed at preventing animal diseases.

The State Board of Veterinary Medical Examiners expects to receive approximately $819,000 in special fund revenues from registration and licensing fees in fiscal 2023. These funds will be used to support the board's operations and inspections.

The Maryland Horse Industry Fund within the department will receive approximately $364,000 in special funds from a $6 per-ton fee collected on the sale of commercial horse feed in Maryland and from the $125 horse establishment license fee and $125 license renewal fee. These funds will be used to conduct a variety of equine promotion activities, to support equine education and research, and for general operations costs. In addition, the Maryland Agricultural Fair Board will receive $1.5 million in special funds from horse racing revenues to promote and provide assistance to agricultural fairs, exhibits, and youth organizations. For more information on horse racing revenues and disbursements, see "Chapter 9. Miscellaneous Taxes" of this handbook.

In fiscal 2023, the department will receive approximately $2.2 million in special funds to support programs related to marketing and agricultural development. Of the special fund revenue, approximately $1.9 million is expected from the Cigarette Restitution Fund ($900,000) and the Spay/Neuter Fund ($958,000). Chapters 561 and 562 of 2013 established a Spay/Neuter Fund to reduce animal shelter overpopulation and cat and dog euthanasia rates by providing grants to local governments and animal welfare organizations for programs that facilitate and promote spay and neuter services. The Spay/Neuter Fund is financed primarily from a fee on dog and cat commercial feed registered in the State. Chapter 92 of 2022 extended the termination date for the Spay/Neuter Fund by 10 years (from September 30, 2022, to September 30, 2032). For more information on the Cigarette Restitution Fund, see "Chapter 15. Health, Human Resources, and Juvenile Services" of this handbook.

The department also expects to receive approximately $991,000 in federal funds for marketing and agricultural development. Included in the amount of federal funds received are monies from the Women, Infants, and Children Farmers' Market Nutrition Program ($346,000); Crop Insurance Education in Targeted States ($320,000); Senior Farmers' Market Nutrition Program ($211,000); and State Mediation Program ($114,000).

Chapters 393 and 394 of 2022 established the Urban Agriculture Water and Power Infrastructure Grant Program in the Maryland Department of Agriculture and the Urban Agriculture Water and Power Infrastructure Grant Fund to provide grants to urban agricultural producers and qualified nonprofit organizations for the purchase and installation of (1) agriculture equipment associated with water supply and irrigation and (2) electric power access. The Urban Agriculture Water and Power Infrastructure Grant Fund is supported by $500,000 in each of fiscal 2024 through 2027 from transfer tax repayment funding originally programmed for the Maryland Agricultural Land Preservation Foundation.

Chapter 480 of 2022 built on recommendations contained in the Maryland Food System Resiliency Council's first interim report. Chapter 480 altered the purpose and use of the existing Maryland Farms and Families Fund, established by Chapters 395 and 396 of 2017, and increased the mandated appropriation to the Maryland Farm and Families Fund from $100,000 to $300,000 annually beginning in fiscal 2024. Chapter 480 also established the Maryland Food and Agricultural Resiliency Mechanism Grant Program and an associated special fund administered by the Maryland Department of Agriculture; and the Maryland Farm-to-School Meal Grant Pilot Program and an associated special fund administered by the Maryland State Department of Education in coordination with the Maryland Department of Agriculture. The Maryland Food and Agricultural Resiliency Mechanism Grant Program is intended to build food system resiliency by leveraging Maryland agricultural products and services to support the State's food banks and charitable emergency food providers to alleviate food insecurity. The Maryland Food and Agricultural Resiliency Mechanism Grant Program Fund is mandated to receive $200,000 for fiscal 2024 and each fiscal year thereafter and must be used to provide grants to food banks and charitable emergency food providers for (1) the procurement of surplus, seasonal, or contractual agricultural food products; (2) the processing and preparation of agricultural food products for distribution; and (3) the transportation of agricultural food products. The Maryland Farm-to-School Meal Grant pilot program incentivizes the production, procurement, and provision of local foods in school meals by awarding grants to local school districts. The pilot program terminates June 30, 2026.

Resource Conservation

The Office of Resource Conservation works with farmers and soil conservation districts to plan and implement conservation practices and programs that balance crop and livestock production with the need to protect natural resources. These activities will receive an estimated $20.3 million, comprised of $18.3 million in special funds and $2.1 million in federal funds in fiscal 2023.

Within the Office of Resource Conservation there are five main programs: Program Planning and Development; Resource Conservation Operations; Resource Conservation Grants; Nutrient Management; and Watershed Implementation. In fiscal 2023, the Program Planning and Development program expects to receive approximately $397,000 in special fund revenues from private grants, and the Nutrient Management Program expects to receive approximately $214,000 in nutrient management fees. In addition, the Nutrient Management Program expects to receive $1.1 million and the Watershed Implementation Program approximately $910,000 in federal funds from the Chesapeake Bay Program to reduce and prevent pollution and to improve the living resources in the Chesapeake Bay.

A key program under the Resource Conservation Grants program is the Maryland Agricultural Water Quality Cost Share Program, which funds the Cover Crop Program. The Cover Crop Program subsidizes farmers who engage in the best management practice of planting certain crops that retain nutrients still remaining in the soil from the previous season and stabilizing the soil by having a crop on the ground in the winter. The program receives a reimbursable fund allocation from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund in addition to 40% of the bay restoration fee revenues collected from users of septic systems and sewage holding tanks. For fiscal 2023, the Cover Crop Program will receive $14.2 million in special funds from the Bay Restoration Fund. The Bay Restoration Fund will also provide $2.5 million to fund tree plantings under the Conservation Reserve Enhancement Program and other tree plantings and approximately $391,000 for program support. Additional special funds for the Maryland Agricultural Water Quality Cost Share Program are anticipated from the Poultry Litter Transportation Fund (approximately $583,000).

Sections of the Maryland Annotated Code

Agriculture Article, Sections 2-303, 2-505, 2-708.2, 2-711; 2-712; 2-1102, 2-1602, 2-1603, 3-302, 3-303, 4-207, 4-311.5, 5-105, 5-107.1, 5-111, 5-203, 5-207, 5-302, 5-309, 5-404, , 6-107.2, 6-208, 6-310, 6-401, 6-501, 8-704.2, 8-806, 9-101 through 9-110, 9-201 through 9-307, 10-102, 11-204.3, 11-204.4, 11-204.6, 11-204.7, and 13-202 through 13-205

Business Regulation Article, Section 11-403; Environment Article, Section 9-1605.2; Natural Resources Article, Section 8-2A-02; State Finance and Procurement Article, Section 7-317; State Government Article, and Tax-Property Article, Section 13-209

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume VII – Business Regulation in Maryland

Miscellaneous

The Maryland Department of Agriculture also expects to generate approximately $82,000 in special funds for administrative purposes and approximately $404,000 in federal funds for administrative purposes in fiscal 2023.

Department of Natural Resources

The fiscal 2023 revenue estimates for the Department of Natural Resources are presented in **Exhibit 17.3**. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the unit that primarily generates or spends them; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 17.3
Department of Natural Resources Revenue Estimates
Fiscal 2023
($ in Millions)

	Special Funds	Federal Funds	Total
Revenues by Agency/Program			
Forest, Park, and Wildlife and Heritage Service	$80.5	$12.3	$92.8
Land Acquisition and Planning, Engineering and Construction	235.1	4.9	240.0
Licensing and Registration Service	4.2	0.0	4.2
Natural Resources Police	6.0	6.6	12.6
Resource Assessment Service	11.1	2.1	13.2
Chesapeake and Coastal Service, Waterway Capital	63.4	11.9	75.3
Fishing and Boating Services	17.4	5.0	22.4
Miscellaneous	5.0	1.2	6.2
Total	**$422.6**	**$43.9**	**$466.5**
Revenues by Source			
Forest, Park, and Wildlife and Heritage Service			
Forest and Park Fees	$24.8	$0.0	$24.8
Property Transfer Tax – Park/Forest Service	49.9	0.0	49.9
Hunting Fees	5.9	0.0	5.9
Wildlife Grants	0.0	9.2	9.2
Forestry Grants	0.0	2.5	2.5
Park Grants	0.0	0.6	0.6
Subtotal	***$80.5***	***$12.3***	***$92.8***
Land Acquisition and Planning, Engineering and Construction			
Land Acquisition Grants	$227.4	$4.9	$232.3
Youth Recreational Opportunities Fund	1.6	0.0	1.6
Engineering and Construction Administration	5.0	0.0	5.0
Beach Replenishment	1.0	0.0	1.0
Subtotal	***$235.1***	***$4.9***	***$240.0***
Licensing and Registration Service			
Licensing and Registration Service Administration	$4.2	$0.0	$4.2
Subtotal	***$4.2***	***$0.0***	***$4.2***
Natural Resources Police			
Natural Resources Police Grants	$6.0	$6.6	$12.6
Subtotal	***$6.0***	***$6.6***	***$12.6***

	Special Funds	Federal Funds	Total
Resource Assessment Service			
Environmental Surcharge	$9.0	$0.0	$9.0
Resource Assessment Revenues	2.1	0.0	2.1
Resource Assessment Grants	0.0	2.1	2.1
Subtotal	***$11.1***	***$2.1***	***$13.2***
Chesapeake and Coastal Service, Waterway Capital			
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	$46.5	$0.0	$46.5
Loan Repayment (Shore Erosion Control)	1.0	0.0	1.0
Chesapeake and Coastal Service Program Grants	2.4	9.4	11.8
Boating Grants	13.5	2.5	16.0
Subtotal	***$63.4***	***$11.9***	***$75.3***
Fishing and Boating Services			
Fishing Fees and Donations	$17.4	$0.0	$17.4
Fisheries Grants	0.0	5.0	5.0
Subtotal	***$17.4***	***$5.0***	***$22.4***
Miscellaneous			
Miscellaneous	$5.0	$1.2	$6.2
Subtotal	***$5.0***	***$1.2***	***$6.2***
Total	**$422.6**	**$43.9**	**$466.5**

Note: Numbers may not sum to total due to rounding.

Source: Department of Budget and Management; Department of Legislative Services

Forest Service, Park Service, and Wildlife and Heritage Service

Revenue estimates for forest, park, and wildlife activities total $92.8 million in fiscal 2023, with $80.5 million in special funds and federal funds totaling $12.3 million.

Of the $24.8 million in special funds generated by forest and park fees, $18.9 million is projected directly from fees for the use of the State's forest reserves, parks, scenic reserves, parkways, historic monuments, and recreation areas. An additional $2.1 million is expected from concession sales at State forests and parks. These fees are credited to the Forest and Park Concession Fund and used for the maintenance and operation of concession operations. Furthermore, special fund revenues of $920,000 are anticipated in fiscal 2023 from boat launching fees at Deep Creek Lake State Park and from funds collected from lake and buffer use permits, contracts, grants, and gifts from the Deep Creek Lake Management Program. These funds are credited to the Deep Creek Lake Recreation Maintenance and Management Fund and are used for the maintenance and management of the land, recreational facilities, and services related to Deep Creek Lake. A portion of the revenue is also allocated to Garrett County. The remaining portion of the $24.8 million will be generated by other special fund revenues related to forests and parks, including the Off-Highway Recreational Vehicle Trail Fund ($775,000), the Natural Resources Property Maintenance Fund ($550,000), the Fair Hill Natural Resources Management Area ($549,000), donations (considered special fund revenues) for park and forest services ($600,000), the Reforestation Fund ($100,000), the Mel Noland Woodland Incentives and Fellowship Fund ($225,000), and the Off-road Vehicle Account ($18,000).

The funds generated from fees for the use of the State's forest reserves, parks, scenic reserves, parkways, historic monuments, and recreation areas, and revenue received from concession sales are generally shared with the county in which the forest or park is located – 15% or 25%, depending on the percentage of total county land denoted as forest or park land. The remaining funds are used to support park operations (in the case of forest and park use fee revenue) and park concession operations (in the case of concession revenue). Chapter 692 of 2017 established a State Forest, State Park, and Wildlife Management Area Revenue Equity Program which, for counties meeting specified criteria, replaced the existing State forest and park revenue-sharing payments, beginning in fiscal 2023, with payments equal to the county's property tax rate multiplied by the assessed value of the State forests, State parks, and wildlife management areas in the county that are exempt from property tax. These payments apply to Allegany, Dorchester, Garrett, and Somerset counties, each of which received general fund payments in fiscal 2023, although they received special funds from the Forest and Park Reserve Fund in fiscal 2022 due to fiscal constraints at the time the budget was created.

The Budget Reconciliation and Financing Act of 2014 (Chapter 464) increased the percentage of Maryland Park Service revenues that are provided to the Park Service for its operations. Chapter 389 of 2015 ratified Maryland Park Service funding provisions included in Chapter 464 that required the Governor to include in the State budget an appropriation for the Maryland Park Service equal to 100% of revenues received by the Forest or Park Reserve Fund that are attributable to Maryland Park Service operations (park revenues). The Act also required that certain administrative costs be allocated from the park revenues before the appropriation of the remaining revenues in accordance with the specified percentages. The Budget Reconciliation and Financing Act of 2017 (Chapter 23) required that, for fiscal 2019 and each fiscal year thereafter, the Governor include in the State budget an appropriation for the Maryland Park Service equal to 100% of the revenues *from the second preceding fiscal year*, subject to the allocation of revenues for Department of Natural Resources administrative costs and maintenance of any prior year closing fund balance.

Chapter 2 of the 2007 special session allocated the greater of 20% or $21.0 million of State property transfer tax revenues for the Maryland Park Service. In fiscal 2023, the Department of Natural Resources estimates that it will receive $49.9 million in transfer tax revenues for forest and park services.

Chapter 39 of 2022 made a number of Maryland Park Service funding changes. The changes primarily reflect the mandated budgeting of general funds to two new funds in fiscal 2024

– $70.0 million to the Park System Critical Maintenance Fund and $36.9 million to the Park System Capital Improvements and Acquisition Fund – and authorizations to budget $3.0 million for the new Great Maryland Outdoors Fund in fiscal 2024 and transfer $43.1 million in special fund balance from Program Open Space State land acquisition to the Park System Capital Improvements and Acquisition Fund in fiscal 2023.

Approximately $5.9 million in fees from hunting license, stamp, application, and permit fees are budgeted for the wildlife-related funds in the Wildlife and Heritage Service in fiscal 2023. These funds are used for the scientific investigation, protection, propagation, and management of wildlife. In addition, these funds are also used to support the activities of the Natural Resources Police. The primary source of revenue is the Wildlife Management and Protection Fund, which receives $5.0 million in fiscal 2023 for Wildlife and Heritage Service purposes.

Other wildlife-related funds include the Chesapeake Bay and Endangered Species Fund. Taxpayers are able to make donations directly to the Chesapeake Bay and Endangered Species Fund on income tax returns. Up to 5% of the proceeds from the income tax check off may be used for promotional expenses with the remainder equally split between the Chesapeake Bay Trust and programs designed to conserve nongame, threatened, and endangered species. The income tax check off is expected to generate approximately $355,000 in special funds in fiscal 2023.

Federal funds totaling $9.2 million will be received for wildlife restoration and endangered species programs. An additional $2.5 million in federal funds is anticipated for forestry programs, such as Cooperative Forestry Assistance and the Forest Stewardship Program, which encourage the management, retention, protection, and restoration of Maryland's nonfederal forest resources. Parks will receive approximately $287,000 in federal funds, mainly for the Chesapeake Bay Gateways Network.

Sections of the Maryland Annotated Code

Natural Resources Article, Title 1, Subtitle 7, , and Sections 5-103, 5-212, 5-212.1, 5-215, 5-307, 5-903, 5-908 through 5-909, 5-1011, 5-1302, 10-209, 10-301

Tax – General Article, Section 2-110; and Tax – Property Article, Section 13-209

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume VII – Business Regulation in Maryland

Land Acquisition and Planning, Engineering and Construction

Chapter 410 of 2011 consolidated the State land acquisition and planning functions related to open space, recreation, conservation, and other purposes within the Department of Natural Resources. Previously, these functions were shared among the Department of Natural Resources, Maryland Department of Planning, and the Department of General Services.

The department's land acquisition and planning and engineering and construction units are projected to generate $240.0 million in fiscal 2023, with $235.1 million in special funds and $4.9 million in federal funds.

The department anticipates receiving $227.4 million in transfer tax revenue for land acquisition and planning (Program Open Space) in fiscal 2023. In addition to those special funds, $4.9 million in federal funds is anticipated for the development of recreational and land acquisition projects. See Chapter 6 – Property Taxes of this handbook for more information on the property transfer tax.

The department also budgeted approximately $1.6 million for the Calvert County Youth Recreational Opportunities Fund in fiscal 2023. Chapter 603 of 2012 established the fund to increase youth recreational opportunities in Calvert County. Subsequent legislation – Chapter 334 of 2015 – authorized a portion of the revenues attributable to a State admissions and amusement tax rate imposed on electronic bingo and electronic tip jar machines in Calvert County to be credited to the fund through fiscal 2019. Chapter 118 of 2018 made the distribution to the fund permanent and requires money from the fund to be used first for completion of the development of Ward Farm Recreation and Nature Park and then the expansion of youth recreational opportunities at additional locations.

Under the Engineering and Construction Program, the department budgeted $2.7 million in special funds from the Waterway Improvement Fund, $2.4 million in special funds from the Program Open Space administrative fee, and $1.0 million in special funds from Worcester County and Ocean City to be used to support beach replenishment efforts in and around Ocean City.

Sections of the Maryland Annotated Code

Natural Resources Article, Sections 5-903, 8-707, and 8-1103; Tax-General, Section 2-202; and Tax-Property Article, Section 13-209

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume VII – Business Regulation in Maryland

Resource Assessment Service

In fiscal 2023, the department anticipates generating $13.2 million, with $11.1 million in special funds and $2.1 million in federal funds, for the Resource Assessment Service.

Electric companies are assessed a surcharge on each kilowatt hour of electricity generated in the State. Special fund revenues attributable to this environmental surcharge are budgeted at $9.0 million for fiscal 2023. The surcharge is set annually by the Public Service Commission at an amount estimated to yield sufficient revenues to cover the expenses of the department's Power Plant Research Program. However, the surcharge may not exceed the lesser of 0.15 mill per kilowatt hour or a rate resulting in more than $1,000 per month for each customer. These monies are used for a number of activities, including the implementation of a continuing research program for electric power plant site evaluation and related environmental and land use considerations. The revenues are collected from electric companies by the Comptroller and credited to the Environmental Trust Fund administered by the Secretary of Natural Resources.

The Resource Assessment Service also expects to generate approximately $418,000 in special funds from donations in the Monitoring and Ecosystem Assessment program, and the Maryland Geological Survey expects to generate $607,000 in special funds in sales. In addition, the Monitoring and Ecosystem Assessment Program expects to receive $1.0 million in special funds for the State Lakes Protection and Restoration Fund to protect and restore State-owned lakes.

In fiscal 2023, the department expects to receive $2.1 million in federal grants for monitoring and assessment activities primarily related to the Chesapeake Bay via the Chesapeake Bay Program.

Sections of the Maryland Annotated Code

Natural Resources Article, Title 2, and Sections 3-302, 8-205; Public Utilities Article, Section 7-203

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume VII – Business Regulation in Maryland

Chesapeake and Coastal Service, Waterway Capital

In fiscal 2023, the department anticipates generating $75.3 million, with $63.4 million in special funds and $11.9 million in federal funds, for Chesapeake and Coastal Service.

The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund provides financial assistance necessary to restore the health of the Chesapeake and Atlantic Coastal Bays and their tributaries through nonpoint source pollution control projects in all regions of the State. Chapters 237 and 238 specified that Chesapeake and Atlantic Coastal Bays 2010 Trust Fund projects should consider co-benefits, in addition to nonpoint source pollution control, and authorized payments under a pay-for-success model based on the achievement of outcomes. The fund is financed with a portion of existing revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals. The department expected to receive $46.5 million from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund for nonpoint source projects.

Approximately $1.0 million in special fund budgeted revenue represents payments on loans previously made for shore erosion control structures. These loan repayments are credited to the

Shore Erosion Control Construction Loan Fund. Individual citizens, counties, and municipalities are eligible for the interest-free loans.

The Chesapeake and Coastal Service Program will receive $1.9 million in Waterway Improvement Fund revenue, $250,000 in special fund donations and approximately $242,000 in Program Open Space Administrative Fee revenue in fiscal 2023. In addition, the program will receive federal funds totaling approximately $9.4 million to assist the department in its efforts relating to coastal zone management and bay restoration among other efforts.

The department anticipates $13.5 million in special funds from the vessel excise tax and motor fuel tax and $2.5 million in federal funds for the Waterway Improvement Fund for waterway capital projects. See "Chapter 9. Miscellaneous Taxes" of this handbook for more information on the vessel excise tax and the Waterway Improvement Fund.

Sections of the Maryland Annotated Code

Natural Resources Article, Sections 8-2A-02, 8-707, and 8-1005

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Fishing and Boating Services

The department expects to receive a total of $22.4 million in fiscal 2023, with $17.4 million in special funds and $5.0 million in federal funds, for activities relating to fishing and boating services.

The department collects various license, stamp, permit, service, and application fees for the privilege of fishing in the State. In addition, the department assesses a severance tax upon every bushel of oysters caught within the limits of the natural oyster bars of the State (exclusive of the Potomac River). Revenues generated from the tax and fees are used for the scientific investigation, protection, propagation, and management of fish. Funds generated by these programs are also used to support the activities of the Natural Resources Police. Fiscal 2023 revenue projections from these sources total $16.8 million and include $5.4 million in Waterway Improvement Fund revenues for operating purposes. Fishing and Boating Services also expects to collect approximately $565,000 in donations.

The department expects to receive $5.0 million in federal funds primarily for habitat conservation and the restoration of the State's sport fish population.

Sections of the Maryland Annotated Code

Natural Resources Article, Sections 4-208, 4-209, 4-1020, and 8-707

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume VII – Business Regulation in Maryland

Miscellaneous

The Department of Natural Resources also generates revenues from various miscellaneous sources totaling $6.2 million in fiscal 2023, including $5.0 million in special fund administrative fees and $1.2 million in federal funds.

Strategic Energy Investment Program and Fund

Maryland is part of the Regional Greenhouse Gas Initiative compact to limit greenhouse gas emissions from electric generating units. Under the compact, Maryland has participated in auctions of carbon dioxide emissions allowances for power plant electricity generation since September 2008. The State's primary sources of carbon dioxide emissions are power plants fired by coal and natural gas and industrial facilities such as steel mills and brick yards.

Chapters 127 and 128 of 2008 established the Maryland Strategic Energy Investment Program and Fund administered by the Maryland Energy Administration. The program applies proceeds from the sale of Regional Greenhouse Gas Initiative carbon dioxide allowances to specified purposes, including low-income energy assistance, energy efficiency and demand response programs, and ratepayer relief. The stated purpose of the program is to decrease energy demand and increase energy supply by promoting affordable, reliable, and clean energy. The Acts specified allocations from the fund, established a related advisory board, and established planning and reporting requirements. Chapter 757 of 2019 required that the Maryland Energy Administration distribute a total of $7.0 million from the Strategic Energy Investment Fund for access to capital for small, minority, women, and veteran-owned businesses in the clean energy industry under the Small, Minority, and Women-Owned Businesses Account in the Department of Commerce in annual increments from fiscal 2021 through 2028. Chapter 757 also required the Maryland Energy Administration to use the Strategic Energy Investment Fund to invest in pre-apprenticeship, youth apprenticeship, and registered apprenticeship job training programs to establish career paths in the clean energy industry under the Maryland Employment Advancement Right Now program in the Department of Labor.

Chapter 234 of 2022 reestablished the electric vehicle excise tax credit for zero-emission plug-in electric vehicles and fuel cell electric vehicles for a vehicle with a purchase price that does not exceed $50,000 and the purchase of which is made on or after July 1, 2023, but before July 1, 2027. Chapter 234 also required the Maryland Energy Administration to transfer annually, in fiscal 2024 through 2027, the lesser of $8.25 million or the total amount of credits allowed against the excise tax from the Strategic Energy Investment Fund to the Transportation Trust Fund. In addition, Chapter 234 established the Medium-Duty and Heavy-Duty Zero-Emission Vehicle Grant program within the Maryland Energy Administration. Subject to available funds, in each of fiscal 2024 through 2027, a person or unit of local government may apply to the Maryland Energy Administration for a grant of up to 20% of the cost for qualified medium-duty or heavy-duty zero-emission vehicles, zero-emission vehicle supply equipment, or zero-emission heavy equipment property. Chapter 234 required the Governor to include in the annual budget bill for each of fiscal 2024 through 2027 an appropriation from the Strategic Energy Investment Fund of at least $1.75 million for the program, of which at least $1.0 million is for qualified medium-duty and heavy-duty zero-emission vehicles and $750,000 is for zero-emission heavy equipment property.

Chapters 364 and 365 of 2017 also impacted the Strategic Energy Investment Fund. Chapters 364 and 365 established the Maryland Energy Innovation Institute in the A. James Clerk School of Engineering at the University of Maryland, College Park Campus. Chapters 364 and 365 also established the Maryland Energy Innovation Fund as a special fund in the University System of Maryland for use by the institute and the Maryland Clean Energy Center for their administrative and operating costs. The Maryland Clean Energy Center was also authorized to use the fund to provide certain types of financial assistance, such as loan guarantees or equity investment financing. Chapters 13 and 24 of the 2021 special session subsequently required the Maryland Energy Innovation Institute and the Maryland Clean Energy Center to implement an accelerator program for Maryland-based technology companies engaged in clean energy innovation. The Strategic Energy Investment Fund must transfer at least $2.1 million annually to the Maryland Energy Innovation Fund, from which at least $900,000 must be apportioned to the Maryland Energy Innovation Institute and at least $1.2 million to the Maryland Clean Energy Center.

Other than Regional Greenhouse Gas Initiative proceeds, statutorily specified sources of income for the Maryland Strategic Energy Investment Program and Fund include (1) money appropriated to the program in the State’s general fund budget; (2) repayments and prepayments of principal and interest on loans made from the fund; (3) interest and investment earnings; (4) renewable portfolio standard compliance fees; (5) money received from any public or private source for the benefit of the fund; and (6) money transferred from the Public Service Commission as a result of the deposit for a solar photovoltaic system application being deemed abandoned. Other revenues held in the Strategic Energy Investment Fund include (1) the Alternative Compliance Payment from the Renewable Portfolio Standard; (2) funds originating from the Exelon and Constellation merger, such as the Animal Waste-to-Energy payment and the Offshore Wind Development Fund; (3) funds originating from the merger of Exelon Corporation and Pepco Holdings, Inc. through the PEPCO Most Favored Nation Settlement Provision; and (4) funds originating from the AltaGas Ltd. and WGL Holdings, Inc. merger through the Maryland Gas Expansion Fund. With the exception of the Alternative Compliance Payment, the uses of these funds are generally established in the Public Service Commission orders creating those funding streams.

Exhibit 17.4 shows the fiscal 2023 revenue estimates for the fund by source. Of note, expenditures will be greater than the revenues shown in the exhibit due to the use of available fund balance.

Exhibit 17.4
Fiscal 2023 Strategic Energy Investment Fund
Revenue by Source
($ in Millions)

Revenue Source	Allocation
RGGI Auctions[1]	$68.4
Loan Repayments[2]	0.0
Interest and Investment Earnings	1.0
Other Funds Received[3]	0.0
Total	**$69.4**

RGGI: Regional Greenhouse Gas Initiative

[1] RGGI Auction estimate based on the minimum clearing price for four auctions. The revenue also includes funds from the sale of set-aside allowances that are treated as auction revenue for the purposes of allocating funds. This is the revenue reflected in Appendix K of the Governor's Budget Highlights.
[2] To date, no loans have been made from the Strategic Energy Investment Fund.
[3] Other funds received represent funds that have been received in the past as a condition of the Pepco Holdings Inc. and Exelon Corporation merger, which were appropriated as the Strategic Energy Investment Funds. The funds received as a condition of the merger were dedicated to a specific purpose rather than being allocated under the auction proceeds formula.

Note: Numbers may not sum to total due to rounding.

Source: Maryland Energy Administration

The Maryland Energy Administration is required to use the Maryland Strategic Energy Investment Fund to:

- invest in the promotion, development, and implementation of (1) cost-effective energy efficiency and conservation programs, projects, or activities; (2) renewable and clean energy resources; (3) climate change programs; and (4) demand response programs designed to promote changes in customer electric usage;

- provide targeted programs, projects, activities, and investments to reduce electricity consumption by low- and moderate-income residential customers;

- provide supplemental funds for low-income energy assistance to the Electric Universal Service Program Fund and other electric assistance programs in the Department of Human Services;

- provide rate relief by offsetting electricity rates of residential customers, including an offset of surcharges imposed on ratepayers for utility energy efficiency programs;

- provide grants, loans, and other assistance and investment as necessary and appropriate;

- implement energy-related public education and outreach initiatives regarding energy consumption and greenhouse gas emissions;

- provide rebates under the Electric Vehicle Recharging Equipment Program;

- provide grants to encourage combined heat and power projects at industrial facilities;

- provide $7.0 million in funding for access to capital for small, minority, women-owned, and veteran-owned businesses in the clean energy industry allocated in annual increments;

- to invest in pre-apprenticeship, youth apprenticeship, and registered apprenticeship programs to establish career paths in the clean energy industry;

- provide at least $2.1 million in funding each fiscal year to the Maryland Energy Innovation Fund; and

- pay the expenses of the program.

In 2012, the Regional Greenhouse Gas Initiative undertook a comprehensive program review that, among other things, resulted in a dramatic reduction of the quantity of allowances that are offered to states for compliance purposes. The Regional Greenhouse Gas Initiative undertook a second review and announced final changes from the program review on December 19, 2017. As a result of the review, the Regional Greenhouse Gas Initiative made several changes to both the cap and the functioning of the program. Individual states must still adjust their own regulations to account for the program changes. The Regional Greenhouse Gas Initiative anticipates that the individual state processes to implement the changes will be completed as soon as practical, but no later than January 1, 2021. The three primary changes were to (1) extend the allowance cap beyond 2020 to 2030, effectively reducing the emissions by 30% between calendar 2020 and 2030; (2) increase the trigger price for the cost containment reserve; and (3) create an emissions containment reserve.

On February 2, 2021, the Regional Greenhouse Gas Initiative released a statement announcing the plan for a third review of carbon dioxide budget trading programs. This statement was followed by the release of a preliminary timeline in summer 2021 and an updated timeline in July 2022, which reflects a December 2023 anticipated conclusion to the review.

Estimates of fiscal 2023 auction proceeds are $68.4 million, including revenue from set-aside allowances. Auction revenue will vary based on the number of allowances offered for sale and allowance prices that may differ from revenue estimates. Fiscal 2023 funds from the Strategic Energy Investment Fund are to be allocated as provided in **Exhibit 17.5**.

Exhibit 17.5
Regional Greenhouse Gas Initiative Allocation
Fiscal 2023

Program	Percent Allocation
Energy Assistance (through the Department of Human Services)	At least 50%
Energy Efficiency and Conservation	At least 20%[1]
Renewable and Clean Energy, Climate Change and Resiliency, Education, and Outreach	At least 20%
Maryland Energy Administration Administrative Activities	Up to 10%[2]
Total	**100%**

[1] At least half of which must go to low- and moderate-income energy efficiency.
[2] Not to exceed $5.0 million. To the extent revenue under this allocation exceeds the dollar cap, the revenue has typically been redistributed to the other allocations (excluding energy assistance) in proportion to the share of total revenue.

Note: The exhibit does not account for the two statutorily required transfers. The two transfers are as follows: $300,000 for Regional Greenhouse Gas Initiative, Inc. annual dues; and $2.1 million annually to the Maryland Energy Innovation Fund in accordance with Chapters 13 and 24 of the 2021 special session. Other statutorily required allocations required in Chapter 757 of 2019 occur out of the renewable and clean energy subaccount within the statutory distribution to that subaccount: a total of $7.0 million between fiscal 2021 and 2028 ($500,000 in fiscal 2023) to the Small, Minority, and Women-Owned Businesses Account within the Maryland Department of Commerce, with set amounts per year; and a total of $8.0 million over multiple years beginning in fiscal 2021 ($1 million in fiscal 2023) to a Clean Energy Workforce Account in the Maryland Employment Advancement Right Now program within the Maryland Department of Labor.

Source: State Government Article Section 9-20B-05

Of the allocation for energy efficiency, conservation, and demand response programs, at least one-half was required to target the low-income residential sector with no cost to participants and the moderate-income residential sector. On or before December 31, 2019, the administration was required to develop a plan for expenditures for fiscal 2020 and a plan covering expenditures from the fund for the next three fiscal years. After holding public meetings in conjunction with the development of a plan, the administration was required to submit the plan to the advisory board for review. The administration also is required to regularly disclose specified summary information on any contract that encumbers $100,000 or more from the fund.

Chapter 3 of 2013 created the Maryland Offshore Wind Business Development Fund. The fund is composed of the seed funds from the Offshore Wind Development Fund from the Exelon and Constellation merger and required contributions ($2 million each year for three years) by approved applicants of Offshore Wind Renewable Energy Credits. The fiscal 2023 allowance includes $1 million from this fund.

Sections of the Maryland Annotated Code

State Government Article, Title 9, Subtitle 20B; Public Utilities Article, Section 7-705

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume VI – Maryland Local Government
Volume VII – Business Regulation in Maryland

Chapter 18. Public Safety

Department of Public Safety and Correctional Services

The revenue estimates for the Department of Public Safety and Correctional Services for fiscal 2023 are summarized in **Exhibit 18.1**. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates the revenues; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 18.1
Public Safety and Correctional Services Revenue Estimates
Fiscal 2023
($ in Millions)

	General Funds	Special Funds	Federal Funds	Reimb. Funds	Total
Revenue by Agency					
Corrections		$2.9	$0.2	$1.4	$4.5
Community Supervision	$8.4	7.1		0.1	15.6
Pretrial Detention		1.0	27.1	0.2	28.3
Inmate Grievance Office		0.8			0.8
Maryland Correctional Enterprises		56.5			56.5
Police and Correctional Training Commissions		2.4		0.3	2.7
Office of the Secretary/ Deputy Secretary of Operations		8.0	0.8	1.3	10.1
Total	**$8.4**	**$78.6**	**$28.0**	**$3.3**	**$118.3**
Revenue by Source					
Drinking Driver Monitor Program Fees		$7.0			$7.0
Home Monitoring Fee/ Administrative Fee on Collections		0.1			0.1
Parole and Probation Fees	$8.4				8.4
Data Processing Services Fees		0.8		$0.2	0.9
Criminal Record Check Fees		6.5		0.3	6.8

	General Funds	Special Funds	Federal Funds	Reimb. Funds	Total
State and Local Training Fees		0.4		0.2	0.6
Payment for Housing Federal Prisoners			27.1		27.1
Inmate Welfare Funds		3.9			3.9
Inmate Work Crews and Work Release Earnings		1.3		1.5	2.8
Maryland Correctional Enterprises Sales		56.5			56.5
Governor's Office of Crime Prevention, Youth, and Victim Services Grants				0.5	0.5
Maryland Department of Health Grants				0.6	0.6
Maryland Police Training and Standards Commission Fund		2.0			2.0
Martin Healy Trust Fund		0.0			0.0
Adam Walsh Act Implementation Grant Program			0.3		0.3
NICS Act Record Improvement Program			0.2		0.2
National Criminal History Improvement Program			0.2		0.2
State Alien Criminal Assistance Program			0.2		0.2
Asset Seizure Funds			0.1		0.1
Gifts		0.1			0.1
Total	**$8.4**	**$78.6**	**$28.0**	**$3.3**	**$118.3**

NICS: National Instant Criminal Background Check System

Source: *Fiscal 2023 State Budget Books*; Department of Legislative Services

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume VI – Maryland Local Government

Office of the Secretary/Deputy Secretary for Operations

The Office of the Secretary and, by designation of the Secretary, the Office of the Deputy Secretary for Operations provide administrative oversight, overall executive direction, and coordination for all functions within the Department of Public Safety and Correctional Services. Fiscal 2023 special, federal, and reimbursable fund revenue for these offices is expected to total $10.1 million.

The Information Technology and Communications Division of the Office of the Secretary is responsible for maintaining criminal record data systems. State and non-State agencies that request information from these systems, such as criminal record checks, are assessed a fee. In fiscal 2023, these fees are estimated to generate special and reimbursable funds of $7.7 million.

Aside from the revenues related to criminal justice record checks and system maintenance, these administrative offices expect to receive approximately $200,000 in reimbursable fund revenue generated from federal pass-through grants from the Governor's Office of Crime Prevention, Youth, and Victim Services.

Sections of the Maryland Annotated Code

Correctional Services Article, Title 2, Subtitle 1

Maryland Correctional Enterprises

Estimated fiscal 2023 special funds of $56.5 million are derived from the activities of the Maryland Correctional Enterprises, an inmate training program that produces and sells goods and services. Inmate labor is used to manufacture food and merchandise for sale or to provide services to the State and other governmental or charitable organizations. The goods and services are supplied at a cost that is no more than the prevailing wage market price as determined by other State departments. The funds are used to cover the cost of administration, supervision, supplies, and materials for the program.

Sections of the Maryland Annotated Code

Correctional Services Article, Title 3, Subtitle 5

Corrections

The Corrections function within the Department of Public Safety and Correctional Services is projected to generate a total of $2.9 million in special funds, $0.2 million in federal funds, and $1.4 million in reimbursable funds in fiscal 2023.

Approximately $1.5 million in special funds are derived primarily from commissary sales and vending commissions at the department's correctional facilities. These revenues are credited to the Inmate Welfare Fund and used to pay for educational activities, inmate medical services, the inmate grievance process, athletic equipment, hygiene supplies for inmates, and other activities that benefit inmates.

In addition, the Corrections function expects to receive payments from inmates in work release programs, which total approximately $1.3 million in special fund revenues. A federal grant of $215,000 is also expected in fiscal 2023 to defray the costs of incarcerating undocumented immigrants convicted of one felony or two misdemeanor offenses.

Reimbursable fund revenue generated for the Corrections function is expected to include $1.5 million from the State Highway Administration for the cost of employing inmate work crews to remove litter and conduct landscaping and maintenance along State roads. Costs are reimbursed for inmate transportation, inmate wages, and correctional officer supervision.

Sections of the Maryland Annotated Code

Correctional Services Article, Title 9, Subtitle 5 (Inmate Work Force) and Title 10, Subtitle 5 (Inmate Welfare Funds)

Pretrial and Detention Services

The Pretrial and Detention Services function is expected to generate approximately $1.0 million in special funds and approximately $27.1 million in federal funds in fiscal 2023. Special fund revenues from the Inmate Welfare Fund are estimated at nearly $500,000, and gifts are approximately $130,000. As in the Corrections function, Inmate Welfare Fund monies are generated from commissary sales and used to fund activities that benefit the inmate population. All of the federal funds, approximately $27.1 million, are generated by the Chesapeake Detention Facility (formerly the Maryland Correctional Adjustment Center or "Supermax"), which is a State-operated facility that houses only federal detainees under the jurisdiction of the U.S. Marshals Service. State Highway Administration work crews are also expected to provide $170,000 in fiscal 2023 reimbursable fund revenues.

Parole and Probation

General funds of $8.4 million are expected from the collection of supervision fees by the Division of Parole and Probation in fiscal 2023. Special funds of nearly $7.0 million are expected from the assessment of a $75 monthly supervision fee for offenders sentenced to the Drinking Driver Monitor Program. These revenues are credited to the Drinking Driver Monitor Program Fund.

Sections of the Maryland Annotated Code

Correctional Services Article, Sections 6-104, 6-115, and 6-116 (Drinking Driver Monitor Program Funding)

Police and Correctional Training Commissions

The Police and Correctional Training Commissions provide staffing and administrative services to two separate and distinct commissions. The Maryland Police Training and Standards Commission prescribes minimum police selection and training standards for entrance, in-service, and advanced levels for all police officers serving the State, county, and municipal agencies in Maryland. The Correctional Training Commission prescribes minimum selection and training standards for community supervision, juvenile justice, and correctional personnel serving in State and county agencies. Both commissions train police and correctional officers for the State and local agencies. For fiscal 2023, the Police and Correctional Training Commissions expect approximately $2.4 million in special fund revenues. Due to a legislative mandate, the Maryland Police Training and Standards Commission Fund receives $2.0 million each year from court fees to enhance the delivery of police training in the State, and approximately $400,000 is special fund revenue from participating local jurisdictions paid on behalf of local police or correctional personnel who receive training from the commissions.

In addition, the commissions receive reimbursable funds, approximately $350,000, from several sources. The Governor’s Office of Crime Prevention, Youth, and Victim Services provides approximately $100,000 for various grants, which include funds for recordkeeping software designed to track trainee and officer hiring, promotion, status changes, and skill level. Approximately $22,000 comes from the Department of State Police and approximately $205,000 is provided by other State agencies, such as the Maryland Natural Resources Police within the Department of Natural Resources and the Department of Transportation State Highway Administration, for specialized training courses provided by the Police and Correctional Training Commissions.

Inmate Grievance Office

Anticipated fiscal 2023 funding for the Inmate Grievance Office totals approximately $800,000 in special funds from the Inmate Welfare Fund. Inmates can appeal to the office when they have exhausted all relevant institutional procedures. Grievances are either dismissed or scheduled for hearings with the Office of Administrative Hearings.

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Maryland 9-1-1 Board

The Maryland 9-1-1 Board originated as the Emergency Number Systems Board in 1979 within the Department of Public Safety and Correctional Services (Chapter 730 of 1979). It reformed under its present name in October 2020 (Chapter 376 of 2020) and transferred to the Department of Emergency Management in October 2021 (Chapters 378 and 379 of 2021).

The Maryland 9-1-1 Board sets policies and provides guidance for the State 9-1-1 system and manages the revenues produced by the State and local fees. Local revenues are transmitted as a pass-through grant to each county for operating costs. The State revenues are used to support the administration of the Maryland 9-1-1 Board with the remaining balance deposited into a State 9-1-1 Trust Fund. The trust fund is used to reimburse local subdivisions for the costs of 9-1-1 system enhancements. In fiscal 2023, State and local revenues are expected to be $58.0 million and $125.1 million, respectively.

Local governments are responsible for operating public safety answering points for 9-1-1 services. A State and a local fee are assessed on 9-1-1 capable telephone lines to support the State 9-1-1 system. The State fee is $0.50 per line and primarily supports capital improvement projects, while the local 9-1-1 fee is set by counties (up to $0.75 per 9-1-1 capable device, plus a fee of any amount sufficient to cover the projected operational costs for the following fiscal year) and supports the recurring costs of operating public safety answering points. Telephone companies are required to collect and remit the funds to the State and are reimbursed by an assessment of 0.75% on the State portion.

In addition to the State and local fees on 9-1-1 capable telephone lines, a $0.60 fee is applied to each purchase of prepaid wireless phone services. The seller of the services is responsible for collecting and remitting the fees to the State. The sellers are authorized to retain 3% of the fees collected from consumers. The revenue from this fee also supports the trust fund. Most of the revenue from this fee, 75%, is distributed to the counties on a prorated basis. The remaining 25% is retained by the trust fund to support capital improvement projects.

Sections of the Maryland Annotated Code

Public Safety Article, Title 1, Subtitle 3

Victim Services

Criminal Injuries Compensation Board

Established by Chapter 422 of 2018, the Victim Services Unit in the Governor's Office of Crime Prevention, Youth, and Victim Services is responsible for coordinating State responsibilities concerning services to victims including operations relating to the Criminal Injuries Compensation Board and the Criminal Injuries Compensation Fund transferred from the Department of Public

Safety and Correctional Services, sexual assault forensic evidence examinations transferred from the Maryland Department of Health, and the improvement of restitution collection.

The fiscal 2023 budget anticipates a total of $5.2 million in special and federal funds to provide awards to victims of crime. Special funds of $1.9 million are expected from court fees and will be credited to the Criminal Injuries Compensation Fund. The State also receives federal funds for victims of crime that are based on a percentage of prior expenditures by the State. In fiscal 2023, the State expects $3.3 million in federal funds, which represents a significant increase from fiscal 2020 when the State received approximately $735,000 in federal dollars.

Sections of the Maryland Annotated Code

Courts and Judicial Proceedings Article, Section 7-301 and 7-409; and Criminal Procedure Article, Section 11-819

Department of State Police, Fire Prevention Commission, and Office of the Fire Marshal

The revenues estimated to be collected by the Department of State Police, the Fire Prevention Commission, and the Office of the Fire Marshal in fiscal 2023 are set forth in **Exhibit 18.2**. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates the revenues; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 18.2
Department of State Police, Fire Prevention Commission, and Office of the Fire Marshal Revenue Estimates
Fiscal 2023
($ in Millions)

	General Funds	Special Funds	Federal Funds	Total
Revenues by Agency/Program				
Department of State Police	$4.8	$120.7	$10.5	$136.0
Fire Prevention Commission and Fire Marshal	0.6	0.0	0.0	0.6
Total	**$5.4**	**$120.7**	**$10.5**	**$136.6**
Revenues by Source				
Maryland Emergency Medical Systems Operations Fund	$0.0	$33.9	$0.0	$33.9
Automotive Safety Enforcement Division (TTF)	0.0	11.1	0.0	11.1
Commercial Vehicle Enforcement Division (TTF)	0.0	36.6	0.0	36.6
Speed Monitoring Systems Fund	0.0	8.3	0.0	8.3
John F. Kennedy Memorial Highway (MDTA)	0.0	11.8	0.0	11.8
Local Government Payments	0.0	1.2	0.0	1.2
Vehicle Theft Prevention Fund	0.0	2.0	0.0	2.0
Reimbursable Overtime	0.0	15.2	0.0	15.2
Miscellaneous	5.4	0.7	10.5	16.6
Total	**$5.4**	**$120.8**	**$10.5**	**$136.7**

MDTA: Maryland Transportation Authority
TTF: Transportation Trust Fund

Source: *Fiscal 2023 State Budget Books*; Department of Legislative Services

Department of State Police

The fiscal 2023 budget for the Department of State Police anticipates $120.7 million in special fund revenues. The largest component of these revenues comes from the Maryland Emergency Medical Systems Operations Fund, which provides $33.9 million in support of the medical evacuation component of the Aviation Division. Revenues credited to the fund are generated from surcharges applied to motor vehicle registrations and moving violations. Special funds support 80% of the Aviation Division budget, which is based on the percentage of medical evacuation flights to nonmedically related flights. Funding for the Commercial Vehicle Inspection Division ($36.6 million related to conducting truck weight inspections) and the Automotive Safety Enforcement Division ($11.1 million related to certifying vehicle inspection stations) comes from the Transportation Trust Fund. Approximately $15.2 million is anticipated for overtime and special project services provided by the department on behalf of State, federal, and local agencies. The remaining special fund revenues are derived from highway work zone speed camera citations ($8.3 million), the Maryland Transportation Authority for policing the John F. Kennedy Memorial Highway ($11.8 million), and the Resident Trooper Program ($1.2 million). The Resident Trooper Program allows counties and municipalities to receive additional State troopers for which the State is reimbursed the entire direct cost as well as receiving an administrative fee from the local jurisdictions in which the resident troopers serve.

Sections of the Maryland Annotated Code

Transportation Article, Sections 12-118 and 13-955; and Public Safety Article, Title 2

Vehicle Theft Prevention Council

The Vehicle Theft Prevention Council will receive $2.0 million in special funds in fiscal 2023 from the Vehicle Theft Prevention Fund. The fund was established for the purpose of making grants and providing programs to reduce vehicle theft in the State.

Sections of the Maryland Annotated Code

Transportation Article, Section 17-106; and Public Safety Article, Title 2, Subtitle 7

Miscellaneous

The department expects to generate an additional $16.6 million in fiscal 2023 revenue from a variety of sources. **Exhibit 18.3** provides detail on revenues generated by the department that will be credited to the General Fund. The majority of those revenues are associated with the department's responsibilities for processing handgun permit applications and issuing qualification licenses. The Office of the State Fire Marshal accounts for approximately $600,000 of the general fund revenue for fiscal 2023, stemming from fire safety inspections and plan reviews.

Exhibit 18.3
Department of State Police General Fund Revenue
Fiscal 2023

	Amount
Department of State Police	
Handgun Qualification Licensing	$2,071,000
Handgun Permit Application Fees	1,752,000
Transcript Fees	253,000
Miscellaneous Fees, Fines, and Forfeitures	212,000
Motor Vehicle Accident Photograph Fees	115,000
Other	434,000
Subtotal	***$4,837,000***
Office of the State Fire Marshal	
Fire Protection Plan Reviews	$431,000
Day/Foster Care Inspections	160,000
Subtotal	***$591,000***
Total	**$5,428,000**

Source: Department of State Police; Department of Legislative Services

The department expects to receive over $680,000 in miscellaneous special fund revenue for fiscal 2023, including $35,000 for criminal background check fees and approximately $649,000 for vehicle salvage inspections. Federal funds received through the asset forfeiture process are expected to total $10.5 million.

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Chapter 19. Other Agencies

Many other agencies within State government generate revenue from a variety of sources; these agencies include financial and revenue administration; judiciary; labor, licensing, and regulation; executive and administrative agencies; and retirement agencies.

Financial and Revenue Administration

The financial and revenue administration agencies are charged primarily with the collection, accounting, and management of public funds and the assessment of corporate and private, real, and personal property. In the performance of such duties, the agencies generate general and special fund revenues from a variety of sources.

The revenues expected to be collected by the financial and revenue administration agencies in fiscal 2023 are shown in **Exhibit 19.1**. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 19.1
Financial and Revenue Administration Revenue Estimates
Fiscal 2023
($ in Millions)

	General Funds	Special Funds	Total
Revenues by Agency/Program			
Treasurer	$20.0	$2.0	$22.0
Comptroller	90.6	5.1	95.7
Register of Wills	3.1	0.0	3.1
Assessments and Taxation	0.2	37.4	37.6
Total	**$113.9**	**$44.5**	**$158.4**
Revenues by Source			
Interest Earned on Funds	$20.0	$2.0	$22.0
Sale of Abandoned Property	88.8	7.3	96.1
Cigarette Licensing Fees	0.0	0.3	0.3
Alcoholic Beverage License Fees	2.1	0.0	2.1
Register of Wills – Excess Fees	3.1	0.0	3.1
Expedited Service Fees	0.0	13.5	13.5

	General Funds	Special Funds	Total
Local County Cost	0.0	21.4	21.4
Total	**$113.9**	**$44.5**	**$158.4**

Note: Numbers may not sum to total due to rounding.

Source: State Treasurer's Office; Comptroller

Office of the State Treasurer

The investment of the State's funds is the responsibility of the State Treasurer. Interest earnings are projected to be $33 million in fiscal 2023, of which $20 million is for the General Fund. Since this estimate was prepared in December 2021, interest rates have increased; therefore, actual interest earnings are now likely to exceed the initial estimate. Interest earnings during fiscal 2021 were $29.5 million. The earnings on the general fund portfolio averaged 0.29% for the year.

The main emphasis of the Treasurer's investment program is the investment of cash that is temporarily available between the time that it is collected and disbursed. The program also includes longer term investments associated with the maturity of certain bonds, the purchase of 20-year development easements on agricultural land, and the payment of lottery prizes over multi-year periods.

Fees to cover investment and bond sale expenses are expected to total $2.6 million in special funds.

Sections of the Maryland Annotated Code

State Finance and Procurement Article, Sections 6-222 through 6-226

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Office of the Comptroller

The Unclaimed Property Section of the Comptroller's Office is charged with administering the abandoned property laws of the State. This includes collecting abandoned property, selling the property, and distributing the revenues to the General Fund. Total general fund revenues in fiscal 2023 from the sale of abandoned property are estimated at $88.7 million. Approximately $7.3 million in special fund revenues will be used to administer this program.

In addition to the many taxes collected by the Comptroller described in this handbook, the Comptroller's Office also collects certain license and permit fees. Alcoholic beverage licenses and permits are comprised of two major types – manufacturer and wholesaler. State licenses are also issued for trains, boats, and airplanes which, by their nature, travel around the State. Alcohol and tobacco licensing and permits have largely been transferred to the Alcohol and Tobacco Commission for administration and oversight.

Sections of the Maryland Annotated Code

Commercial Law Article, Section 17-317 (unclaimed property); Alcoholic Beverages Article; Business Regulation Article, Sections 16-201 through 16-204 (cigarette business licenses); and Tax – General Article, Title 4 (admissions and amusement tax)

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume VI – Maryland Local Government

Registers of Wills

In fiscal 2023, the Registers of Wills expect to remit $3.1 million in general funds to the State, representing an excess of fees collected and commissions over expenses. Revenues are derived from probate fees and the registers' 25% commission for collection of the inheritance tax. The Registers of Wills provide support to the Orphans' Court of each county and Baltimore City in administering Maryland probate laws.

The registers collect probate fees to cover the cost of docketing and processing estates. Probate fees are determined according to the value of the estate and vary from $50 to more than $2,500. The Registers of Wills also retain, as a commission, 25% of all inheritance taxes to cover operating expenses. Operating expenses of the Registers of Wills are not reported in the annual State budget.

Sections of the Maryland Annotated Code

Constitution of Maryland, Article III, Section 45; and Estates and Trusts Article, Title 2, Subtitle 2

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Alcohol and Tobacco Commission

The Alcohol and Tobacco Commission was created in January 2021. The Field

Enforcement Division was then transferred to the Alcohol and Tobacco Commission from the Office of the Comptroller to enforce Maryland's alcohol and tobacco laws and licenses. The division has both civilian personnel and sworn police officers who are responsible for overseeing regulatory duties including upholding federal alcohol, tobacco, and electronic smoking device industry laws, as well as issuing licensing and permits.

Permits are issued by the State primarily for the storage and transportation of alcoholic beverages, while licenses for retail sales of alcohol are issued by the counties and Baltimore City and generate local, not State, revenues. Cigarette sales licenses are issued in several categories: manufacturer; retailer; storage warehouse; subwholesaler; vending machine operator; and wholesaler. General fund revenues of $2.1 million are expected from alcoholic beverage licenses and permits, and cigarette sales licenses should generate $300,898 in special funds in fiscal 2023.

Sections of the Maryland Annotated Code

Alcoholic Beverages Article, Sections 1-101 and 1-302 through 1-310; Business Regulation Article, Sections 16-101, 16-102, 16-201, 16-204, 16-205, 16-206(a)(4) and (f)(6) and (7), 16-207(c)(3), 16-208 through 16-213, 16-216(a), 16-218(b) and (c), 16-219(b), 16-220 through 16-222, 16-223(c), 16-302(b), 16-306, 16-307, 16-308.1(b), 16-3B-01, 16.5-101, 16.5-102, 16.5-203, 16.5-204(a), 16.5-205(a)(5) and (d)(5), 16.5-207 through 16.5-211, 16.5-213, 16.5-214(b) and (c), 16.5-215(b), 16.5-216(c), 16.5-217(c)(1), 16.7-101, 16.7-102(a), 16.7-202, 16.7-203, 16.7-206 through 16.7-210, 16.7-212, and 16.7-213(c)); and Tax – General Article, Section 13-203(c)

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume VII – Business Regulation in Maryland

State Department of Assessments and Taxation

In fiscal 2023, the State Department of Assessments and Taxation is expected to collect $13.5 million in special fund revenues from fees charged for processing documents on an expedited basis and $21.4 million for local county cost reimbursements. The department is also expected to remit $250,000 in miscellaneous filing fees to the General Fund.

Sections of the Maryland Annotated Code

Corporations and Associations Article, Sections 1-201 through 1-204; and Tax – Property Article, Section 2-220

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume VI – Maryland Local Government
Volume VII – Business Regulation in Maryland

Judicial and Legal

The revenues projected for collection by judicial and legal agencies in fiscal 2023 are set forth in **Exhibit 19.2**. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 19.2
Judicial and Legal Agencies Revenue Estimates
Fiscal 2023
($ in Millions)

	General Funds	Special Funds	Federal Funds	Total
Revenues by Agency/Program				
Judiciary				
District Court	$48.8	$0.0	$0.0	$48.8
Administrative Office of the Courts	0.0	20.7	0.3	21.4
Clerks of the Circuit Court	34.8	20.6	0.0	55.4
State Law Library	0.0	0.0	0.0	0.0
Major Information Technology	0.0	15.2	0.0	15.2
Judicial Information Systems	0.0	6.7	0.0	27.7
Office of the Attorney General	27.5	16.6	4.0	48.6
Office of the Public Defender	0.0	0.3	1.7	2.0
Public Service Commission	1.2	21.7	0.7	23.6
Office of People's Counsel	0.0	5.3	0.0	5.3
Subsequent Injury Fund	0.0	2.5	0.0	2.6
Uninsured Employers' Fund	0.0	5.3	0.0	5.3
Workers' Compensation Commission	0.0	20.3	0.0	20.3
Total	**$112.3**	**$134.6**	**$6.8**	**$253.7**
Revenues by Source				
District Court	$48.8	$0.0	$0.0	$48.8
Maryland Legal Services Corporation	0.0	20.7	0.0	20.7
Clerks of the Court Fees and Commissions	34.8	0.0	0.0	34.8
Land Improvement Surcharge	0.0	42.2	0.0	42.2
Housing Counseling and Foreclosure Mediation Fund	0.0	0.4	0.0	0.4
State Court Improvement Program	0.0	0.0	0.5	0.5

	General Funds	Special Funds	Federal Funds	Total
Maryland Technology Development Corporation Reserve Fund	0.0	0.5	0.0	0.5
Attorney General – General Funds	27.5	0.0	0.0	27.5
Health Spa Fees	0.0	0.3	0.0	0.3
Homebuilder Registration Fees	0.0	1.0	0.0	1.0
People's Insurance Counsel Fund	0.0	0.7	0.0	0.7
Consumer Protection Recoveries	0.0	8.0	0.0	8.0
Mortgage Loan Servicing Practices Settlement Fund	0.0	1.2	0.0	1.2
Cigarette Restitution Fund	0.0	1.5	0.0	1.5
Securities Act Registration Fund	0.0	3.1	0.0	3.1
State Medicaid Fraud Control Units	0.0	0.0	4.0	4.0
Public Defender Administrative and Court Ordered Fees	0.0	0.3	1.7	2.0
Workers' Compensation Commission Assessments and Fees	0.0	20.3	0.0	20.3
Public Service Commission General Fund Revenue	1.2	0.0	0.0	1.2
Public Utility Regulation Fund	0.0	26.2	0.0	26.2
For-Hire Driving Services Enforcement Fund	0.0	0.4	0.0	0.4
Pipeline Safety Program	0.0	0.0	0.7	0.7
Subsequent Injury Fund Assessment	0.0	2.5	0.0	2.5
Uninsured Employers' Fund	0.0	5.3	0.0	5.3
Total	**$112.3**	**$134.6**	**$6.8**	**253.7**

Note: Numbers may not sum to total due to rounding.

Source: *Fiscal 2023 State Budget Books*; Department of Legislative Services

District Court

Projected fiscal 2023 general fund revenues of $48.8 million collected by the District Court system consist of fines and fees. Court fees for criminal, traffic, and civil cases are $22.50. Traffic fines and fees account for the majority of District Court revenues.

A surcharge of $8 for ejectment cases and $18 for all other types of civil cases is imposed by the District Court for the Maryland Legal Services Corporation; the Administrative Office of the Courts expects to receive $20.7 million from surcharges imposed by the District Court.

Sections of the Maryland Annotated Code

Courts and Judicial Proceedings Article, Sections 7-301 and 7-408

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Clerks of the Circuit Court

The 24 clerks of the circuit courts expect to collect $55.5 million in fees, commissions, and other revenues in fiscal 2023. These revenues represent fees on court cases and the land record surcharge. Of this amount, $34.8 million is general fund revenues and $20.7 million is special fund revenues derived from surcharges that benefit the Maryland Legal Services Corporation and the Land Records Improvement Fund.

The circuit courts expect to receive $20.3 million in special funds in fiscal 2023 from a $30 surcharge placed on the initial filing of real property and financing statement records and a $6 surcharge on reopen filings collected by the Clerks of the Circuit Court. The surcharge goes into the Land Records Improvement Fund to be used for personnel, operating expenses, and other expenses associated with the repair and modernization of office equipment in circuit court land record offices. Currently, the improvement fund supports implementation of the electronic land records online image system and the digital image reference system for subdivision and condominium plats. A surcharge of $55 is imposed in civil cases for the Maryland Legal Services Corporation.

The Clerks of the Circuit Court also expect to receive approximately $287,000 from the Housing Counseling and Foreclosure Mediation Fund, set up under the Foreclosure Mediation Act, to help agencies provide housing and foreclosure prevention counseling to financially distressed families.

Sections of the Maryland Annotated Code

Courts and Judicial Proceedings Article, Title 7, Subtitle 2 (circuit courts) and Title 13 (court supporting agencies), Subtitle 6 (circuit court real property records)

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Other Judiciary

The Judiciary expects to receive approximately $15.2 million in special funds from land improvement surcharges for information technology upgrades. There is also $6.7 million allocated for Judicial Information Systems.

Sections of the Maryland Annotated Code

Courts and Judicial Proceedings Article, Sections 7-102 and 7-408

Attorney General

The Office of the Attorney General expects to receive $46.7 million in total revenues in fiscal 2023. Of this amount, $27.5 million in general funds will be collected in fiscal 2023 by the Division of Securities through registration and license fees. This division charges fees for the registration of securities offerings. The division also collects license fees from broker dealers, stockbrokers, investment advisors, and financial planners.

The Division of Consumer Protection within the Office of the Attorney General expects to receive $1.3 million in special fund revenue in fiscal 2023 from health club and homebuilders registration fees and another $8.0 million in special fund revenue from consumer protection recoveries, which are the result of settlements of multistate consumer protection cases. In addition, the division anticipates receiving $1.9 million from the Cigarette Restitution Fund and $2.9 million from the Securities Act registration fund. Approximately $1.4 million of revenue from a variety of special fees will also accrue to the division. Federal funds of $4.0 million represent monies for the Medicaid Fraud Control Unit to support its investigation and prosecution of Medicaid provider fraud.

Sections of the Maryland Annotated Code

Corporations and Associations Article, Sections 11-407 and 11-506

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume VII – Business Regulation in Maryland

Office of the Public Defender

Court-ordered fees collected by the Office of the Public Defender average less than $50,000 per year.

Sections of the Maryland Annotated Code

Criminal Procedure Article, Title 16

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Workers' Compensation Commission

Special fund revenues of $20.2 million in fiscal 2023 will be derived from assessments paid by insurance carriers, Chesapeake Employers' Insurance (formerly Injured Workers' Insurance Fund), and self-insured employers. The assessment, which is equal to a percentage of employee payrolls, is set at a level to generate sufficient revenues to cover all the expenses of the Workers' Compensation Commission. Hence, the "assessment percentage" is determined by dividing the expenses of the Workers' Compensation Commission (including the administrative expenses of the Occupational Safety and Health Program of the Division of Labor and Industry) by the total insured payroll of all insurance carriers.

Sections of the Maryland Annotated Code

Labor and Employment Article, Title 10, Subtitle 1

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume VII – Business Regulation in Maryland

Public Service Commission

Public service companies subject to the jurisdiction of the Public Service Commission are assessed annual fees to cover all operating costs of the commission and the Office of People's Counsel. Each public service company pays a share of the operating costs based on the ratio of its gross revenues from intrastate utility operations to total gross revenues from the intrastate utility operations of all companies in the State. The total amount charged to any one company may not exceed 0.25% of its gross operating revenues from intrastate utility operations, for the costs and expenses of the Public Service Commission, plus an additional 0.074% of these revenues for the costs and expenses of the Office of People's Counsel. In fiscal 2023, the special fund assessment is expected to produce approximately $20.9 million in revenue.

The Public Service Commission has two other ongoing revenue sources: (1) special fund revenue from an assessment on the permits of vehicles that are regulated by the commission related to for-hire driving services; and (2) federal fund revenue from the reimbursement of expenses associated with the pipeline safety program. In fiscal 2023, the commission anticipates receiving $401,196 in revenue from the For-Hire Driving Services Enforcement Fund and $767,551 from pipeline safety reimbursement.

Sections of the Maryland Annotated Code

Public Utility Companies Article, Title 2

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume VII – Business Regulation in Maryland

Subsequent Injury Fund

The Subsequent Injury Fund receives special funds from a legislatively mandated 6.5% assessment on (1) awards against an employer or insurer for permanent disability or death and (2) amounts payable by employers or insurers under settlement agreements. The special funds are credited to the Subsequent Injury Fund to provide compensation to injured workers whose disability is substantially increased by the combined effects of a current injury and any previous condition. The fiscal 2023 revenue estimate is $2.5 million.

Sections of the Maryland Annotated Code

Labor and Employment Article, Section 9-806 and Title 10, Subtitle 2

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Uninsured Employers' Fund

The Uninsured Employers' Fund receives special funds from legislatively mandated assessments on workers' compensation awards, including primarily a 2% assessment on (1) awards against an employer or insurer for permanent disability or death and (2) amounts payable by an employer or insurer under a settlement. The Uninsured Employers' Fund also collects penalties from sanctions on uninsured employers and revenue from recovery of benefits paid out for uninsured claims. The special funds are used to provide compensation benefits and pay medical expenses on claims against uninsured employers. The fiscal 2023 revenue estimate is $5.3 million.

Sections of the Maryland Annotated Code

Labor and Employment Article, Sections 9-1005 to 9-1008 and Title 10, Subtitle 3

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Maryland Department of Labor

The Maryland Department of Labor generates revenues through the licensing and regulation of various businesses, professions, and trades. The department also receives funds for administering a variety of federal employment services programs, for a total from all sources of $498.7 million.

The fiscal 2023 revenue estimates for the department are detailed in **Exhibit 19.3**. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 19.3
Maryland Department of Labor Revenue Estimates
Fiscal 2023
($ in Millions)

	Special Fund	Federal Fund	Total
Revenues by Agency/Program			
Occupational Professional Licensing	$9.7	$0.0	$9.7
Labor and Industry	12.6	5.8	18.4
Financial Regulation	12.0	0.0	12.0
Horse Racing	196.3	0.0	196.3
Unemployment Insurance	7.8	98.3	106.2
Workforce Development	3.2	123.9	127.0
Other	7.0	22.1	29.1
Total	**$248.5**	**$250.2**	**$498.7**
Revenues by Source			
License and Examination Fees	$10.9	$0.0	$10.9
Workers' Compensation Commission	12.0	0.0	12.0
Public Service Commission	0.4	0.0	0.4
Occupational Safety and Health State Program	0.0	5.0	5.0
Banking Institution and Credit Union Regulation Fund	3.4	0.0	3.4
Nondepository Special Fund	8.4	0.0	8.4
Foreclosed Property Registry	0.6	0.0	0.6
Racing Revenues	0.9	0.0	0.9
Video Lottery Terminal Proceeds	192.5	0.0	192.5

	Special Fund	Federal Fund	Total
Lottery Revenues	2.2	0.0	2.2
Laboratory Fees	0.7	0.0	0.7
Unemployment Insurance Penalty and Interest Collection – State Administrative Expense Fund	7.8	0.0	7.8
Unemployment Insurance Administrative Funding	0.0	116.3	116.3
Special Administrative Expense Fund	3.9	0.0	3.9
Trade Adjustment Assistance	0.0	2.6	2.6
Employment Services – Wagner-Peyser Funded Activities	0.0	14.3	14.3
Workforce Innovation and Opportunity Act Adult Program	0.0	17.5	17.5
Workforce Innovation and Opportunity Act Youth Activities	0.0	17.6	17.6
Adult Education Grants	0.0	11.6	11.6
Temporary Labor Certification for Foreign Workers	0.0	0.6	0.6
Workforce Innovation and Opportunity Act Dislocated Worker Formula Grant	0.0	19.8	19.8
Disabled Veterans' Outreach Program	0.0	2.3	2.3
Local Veterans' Employment Representative Program	0.0	1.6	1.6
Senior Community Service Employment Program	0.0	1.1	1.1
American Rescue Plan Act of 2021 State Fiscal Recovery Funds	0.0	37.5	37.5
Other	4.7	2.2	6.9
Total	**$248.5**	**$250.2**	**$498.7**

Note: Numbers may not sum to total due to rounding. Excludes funds from the Strategic Energy Investment Fund.

Source: Department of Labor, Licensing, and Regulation

Occupational and Professional Licensing

The department collects general and special fund revenues from boards and commissions within the Division of Occupational and Professional Licensing. Revenues are primarily generated from license and examination fees. An estimated $11.3 million in occupational and professional licensing fees is expected in fiscal 2023. Chapter 256 of 2017 established that the fees from licensing barbers and cosmetologists that were previously general fund revenues will now be transferred to a special fund within the department.

Most licenses are renewed biennially, causing revenues to fluctuate from year to year. **Exhibit 19.4** lists the expected revenue for fiscal 2023 for each of the boards and commissions.

Exhibit 19.4
Boards and Commissions Average Annual Revenue Estimates
Fiscal 2023

Board or Commission	**Estimates**
State Board of Certified Public Accountancy	$661,948
State Board of Architects	333,550
State Athletic Commission	49,803
State Board of Barbers	216,497
Office of Cemetery Oversight	359,685
State Board of Cosmetologists	943,267
State Board of Master Electricians	118,201
Board of Elevator Safety Review	422,639
State Board of Stationary Engineers	138,727
State Board of Foresters	28,421
State Board of Heating, Ventilation, Air Conditioning, and Refrigeration Contractors	305,821
Maryland Home Improvement Commission	2,631,122
State Board of Certified Interior Designers	15,392
State Board of Examiners of Landscape Architects	50,224
Board of Locksmiths	28,282
State Board of Pilots	14,768
State Board of Plumbing	249,214
State Board for Professional Engineers	982,125
State Board of Professional Land Surveyors	43,857
Real Estate Commission	2,751,923
State Board of Real Estate Appraisers, Appraisal Management Companies, and Home Inspectors	787,729
Secondhand Precious Metal Objects Dealers and Pawnbrokers	48,912
Board of Individual Tax Preparers	165,941
Total	**$11,348,048**

Source: Department of Labor, Licensing, and Regulation; *Fiscal 2023 State Budget Books*

Sections of the Maryland Annotated Code

Business Occupations and Professions Article and Business Regulation Article

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume VII – Business Regulation in Maryland

Labor and Industry

The department collects general, special, and federal fund revenues within the Division of Labor and Industry, estimated to total $18.4 million for fiscal 2023. The Employment Standards and Prevailing Wage Units collect penalties from firms that violate wage and employment laws, and the Safety Inspection Program collects revenues from the licensing of boiler and pressure vessels. The division will also receive approximately $12.4 million in special funds from the Workers' Compensation Commission and the Public Service Commission for railroad and other workplace safety inspections. In addition, federal funds totaling $5.0 million support the State's Occupational Safety and Health program.

Sections of the Maryland Annotated Code

Labor and Employment Article

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume VII – Business Regulation in Maryland

Financial Regulation

The department collects general and special fund revenues within the Division of Financial Regulation, estimated to total $12.0 million in special funds for fiscal 2023. These funds include licensing and examination fees from State-chartered financial institutions, including banks, credit unions, trust companies, consumer finance companies, mortgage lenders and brokers, consumer debt collection agencies, credit services companies, credit reporting agencies, and check cashers. The division also receives revenues from the licensure of mortgage services and mortgage loan originators and from fees imposed on the money transmission and debt management and settlement industries.

Chapter 479 of 2018 requires licensing, investigation, and examination fees for certain nondepository financial institutions to be deposited in the Nondepository Special Fund for the division, and, as a result, regulatory fees that were previously allocated to the General Fund have been paid to this special fund since fiscal 2019.

Sections of the Maryland Annotated Code

Financial Institutions Article, Titles 5, 6, 11, and 12

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume VII – Business Regulation in Maryland

Horse Racing

The department collects special fund revenues within the Division of Racing, estimated to total $196.3 million for fiscal 2023. The division provides administrative support services to the Maryland Racing Commission.

Special fund revenues of $1.6 million are projected from the pari-mutuel tax, uncashed pari-mutuel tickets, impact aid payments, reimbursements from tracks for division operations, and other fees. The division operates a drug testing laboratory, performs background checks on track employees, and officiates races.

The Division of Racing is also responsible for a portion of the revenues that are derived from video lottery terminal proceeds, in addition to certain lottery revenues required to meet specific hold harmless provisions. Proceeds dedicated to purse enhancements, local impact aid, and racetrack renewal are estimated to be $194.7 million in fiscal 2023.

Sections of the Maryland Annotated Code

Business Regulation Article, Title 11

Legislative Handbook Series Cross-reference

For additional discussion of the pari-mutuel tax and the distribution of horse racing revenues, see "Chapter 9. Miscellaneous Taxes" of this handbook.

Volume II – Government Services in Maryland
Volume VII – Business Regulation in Maryland

Unemployment Insurance

The department collects special and federal fund revenues within the Division of Unemployment Insurance, estimated to total $106.2 million for fiscal 2023. Of this total, the division expects special funds of $7.8 million from fines, penalties, and interest generated from assessments on employers who fail to observe State or federal rules under the unemployment insurance law.

Federal funds of $98.3 million for the unemployment insurance program will be used to finance the costs of administration in fiscal 2023. All State unemployment insurance tax collections are used solely for the payment of benefits and remain off budget. Each state is required to operate an unemployment insurance program but states are prohibited from using their tax revenues to pay for administrative costs.

Sections of the Maryland Annotated Code

Labor and Employment Article, Title 8

Legislative Handbook Series Cross-reference

For additional discussion of unemployment taxes, see "Chapter 5. Business Taxes" of this handbook.

Volume II – Government Services in Maryland
Volume VII – Business Regulation in Maryland

Workforce Development and Adult Learning

The department collects special and federal fund revenues within the Division of Workforce Development and Adult Learning, estimated to total $127.0 million in fiscal 2023. Of this total, the division anticipates special funds of $2.0 million from the Special Administrative Expense Fund to pay for the costs associated with operating the Maryland one-stop career centers. These work centers place persons in employment by providing a variety of placement-related services without charge to job seekers.

Various federal Workforce Investment and Opportunity Act programs are expected to provide $54.9 million in fiscal 2023. In addition, federal funds of $37.5 million are projected in fiscal 2023 from the American Rescue Plan Act to supplement Workforce Innovation and Opportunity Act funds distributed to local workforce boards.

Sections of the Maryland Annotated Code

Labor and Employment Article, Title 11

Legislative Handbook Series Cross-reference

For further discussion of public assistance programs in the Department of Human Resources, see "Chapter 15. Health, Human Resources, and Juvenile Services" of this handbook.

Volume II – Government Services in Maryland
Volume VII – Business Regulation in Maryland

Executive and Administrative

Exhibit 19.5 is a summary of the estimated fiscal 2023 revenues to be collected by executive and administrative control agencies. These revenues are displayed in two different formats. The first part of the exhibit shows the revenues according to the agency or program that primarily generates them; the second part is an alternative summary of the same revenues, shown by source.

Exhibit 19.5
Executive and Administrative Agencies Revenue Estimates
Fiscal 2023
($ in Millions)

	Special Funds	Federal Funds	Total
Revenues by Agency/Program			
Department of Disabilities	$0.3	$5.3	$5.6
Boards, Commissions, and Offices	2.9	45.0	47.9
Department of Aging	0.9	27.9	28.9
State Board of Elections	21.1	0.0	21.1
Maryland Energy Administration	43.1	0.8	43.9
Military Department	18.3	51.3	69.6
Department of Veterans Affairs	3.7	18.7	22.5
Maryland Institute for Emergency Medical Services	19.6	2.5	22.1
Maryland Department of Planning	7.6	1.5	9.1
Department of Budget and Management	27.3	4.5	31.9
Department of Information Technology	17.2	0.0	17.2
Department of General Services	4.5	1.3	5.8
Maryland Insurance Administration	44.7	0.7	45.5
Maryland Health Benefit Exchange	35.0	48.2	83.2
Maryland Public Television	18.2	3.4	21.5
Miscellaneous	4.9	0.8	5.7
Total	**$269.5**	**$212.0**	**$481.5**
Revenues by Source			
Assistive Technology	$0.2	$0.4	$0.6
District of Columbia Government Homeland Security	0.1	0.0	0.1
Promoting the Readiness of Minors in Supplemental Security Income	0.0	3.8	3.8

	Special Funds	Federal Funds	Total
Developmental Disabilities Basic Support and Advocacy Grants	0.0	1.1	1.1
State Commissions and Training	0.0	0.5	0.5
AmeriCorps	0.0	4.3	4.3
Victims of Crime	1.6	40.1	41.7
School Bus Safety	0.6	0.0	0.6
Registration Fees – Continuing Care Program	0.5	0.0	0.5
Special Programs for the Aging	0.0	18.2	18.2
Commodity Supplemental Food Program	0.0	0.2	0.2
Veterans Home Based Primary Care	0.0	20.5	20.5
National Family Caregiver Support, Title III, Part E	0.0	2.5	2.5
Medicare Enrollment Assistance Program	0.0	0.4	0.4
State Health Insurance Assistance Program	0.0	0.7	0.7
Affordable Care Act Aging and Disability Resource Center	0.0	0.1	0.1
Medical Assistance Program	0.0	53.6	53.6
Local Election Reform Payments	21.1	0.0	21.1
Energy Overcharge Restitution Trust Fund	0.2	0.0	0.2
Strategic Energy Investment	39.3	0.8	40.1
Jane E. Lawton Conservation Loan Program	0.9	0.0	0.9
Offshore Wind Business Development Fund	2.0	0.0	2.0
State Agency Loan Program	1.2	0.0	1.2
Military and Emergency Management Funding	0.0	51.3	51.3
Amoss Fire, Rescue, and Ambulance Fund	15.0	0.0	15.0
Moving Violations Surcharge	0.5	0.0	0.5
Volunteer Company Assistance Fund	2.6	0.0	2.6
Armory Rentals	0.2	0.0	0.2
Internment Fees – Dependents	0.8	0.0	0.8
Maryland Veterans Trust Fund	0.1	0.0	0.1
Charlotte Hall Veterans Home Fund	2.8	0.0	2.8
Maryland Institute for Emergency Medical Services Systems	19.6	2.5	22.1
Cultural Fees and Grants	0.8	0.0	0.8
Maryland Heritage Areas Authority Financing Fund	6.0	0.0	6.0
Historic Preservation Funding and Grants	1.6	1.5	3.1
Collection Fees	32.7	0.0	32.7
Various State Agencies	0.0	4.6	4.6
Universal Service Trust Fund	5.4	0.0	5.4

	Special Funds	Federal Funds	Total
Major Information Technology Development Project Fund	4.9	0.0	4.9
Network Maryland User Fees	2.0	0.0	2.0
Department of General Services Administrative Fees and Revenues	3.9	0.0	3.9
Health Care Regulatory Fund	14.5	0.0	14.5
Affordable Care Act – Grants to States and Related Funding	0.0	0.7	0.7
Maryland Health Benefit Exchange Fund	35.0	0.0	35.0
Other Participation in Costs, Return of Prepaid Expenses	1.9	0.0	1.9
Viewer Support	7.3	0.0	7.3
Corporate Support	5.2	0.0	5.2
Program Activity Support	0.4	0.0	0.4
Community Service Grant and Central Payroll Bureau Grant	2.6	0.0	2.6
Federal Communication Commission Spectrum Auction Program	0.0	3.4	3.4
Television Royalties	0.5	0.0	0.5
Television Programs, Related Books, Study Guides, Gifts and Bequests	0.2	0.0	0.2
Miscellaneous	4.9	0.8	5.7
Total	**$269.5**	**$212.0**	**$481.5**

Note: Numbers may not sum to total due to rounding.

Source: *Fiscal 2023 State Budget Books*

Department of Disabilities

The Department of Disabilities examines public and private programs and services for disabled citizens in order to provide assistance and coordination. The Assistive Technology Loan Program enables the purchase of assistive technology by individuals who would not otherwise qualify for traditional credit. Interest on the program's nonlapsing off-budget fund is used by the department as a special fund to pay for the costs of administering the program. In fiscal 2023, the Department of Disabilities expects to use $200,000 from the Assistive Technology Loan Fund and $158,000 for a federal grant passing through the DC Government Homeland Security, which is the State Administrative Agency for this grant.

The department anticipates receiving $2.0 million in federal funds in fiscal 2023 available from the Developmental Disabilities Basic Support and Advocacy Grant to support activities of the Developmental Disabilities Council and the Assistive Technology Grant.

Sections of the Maryland Annotated Code

Human Services Article, Title 7

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Boards, Commissions, and Offices

In fiscal 2023, lobbying fees and fines collected by the State Ethics Commission and filing fees collected by the Health Claims Alternative Dispute Resolution Office are anticipated to generate a total of $1.0 million in special funds, including $449,000 from lobbyist registration fees.

The Governor's Office of Community Initiatives will receive $5.4 million in federal funds under the AmeriCorps program and other related federal programs. An additional $296,000 in special funds is expected in matching funds from placement sites for AmeriCorps volunteers.

Sections of the Maryland Annotated Code

State Government Article

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Governor's Office of Crime Prevention, Youth, and Victim Services

The Governor's Office of Crime Prevention, Youth, and Victim Services will receive $66.7 million in federal funds. The majority of these funds come from the following programs: (1) crime victim assistance grants; (2) Violence Against Women Formula Grants; (3) Edward Byrne Memorial Justice Assistance Grant; (4) Children's Justice Grants; (5) Family Violence Prevention Grants; and (6) Comprehensive Opioid Abuse Site-Based Program.

The Governor's Office of Crime Prevention, Youth, and Victim Services is also expected to receive special fund income of $25.1 million in fiscal 2023 from the Victims of Crime Fund, Victim and Witness Protection and Relocation Fund, Legal Services for Victims Fund, Animal Abuse Emergency Compensation Fund, Rape Kit Testing Grant Fund, Performance Incentive Grant Fund, Internet Crimes Against Children Task Force Fund, and Criminal Injuries Compensation Fund.

Maryland Department of Aging

The Maryland Department of Aging will receive federal funds totaling $31.0 million in fiscal 2023, of which $15.1 million will be used to provide nutritious meals, nutrition education, and other nutrition services to individuals over age 60. Federal grants of $2.4 million will be used to implement comprehensive and coordinated community-based systems of support service for older individuals, including services provided at multipurpose senior centers. The Nation Family Caregiver Support Program will provide $3.2 million in federal funds. Additional federal funding includes $6.5 million for the Medical Assistance Program and $1.8 million for veterans home-based primary care. Several miscellaneous federal grants for the department will total approximately $1.9 million. Approximately $526,000 in special funds is expected from the Universal Trust Fund.

Sections of the Maryland Annotated Code

Human Services Article, Title 10

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

State Board of Elections

The State Board of Elections will receive $25.0 million in special funds in the form of payments from local governments for the administration of elections.

Sections of the Maryland Annotated Code

Election Law Article, Title 2

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Maryland Energy Administration

The Maryland Energy Administration expects special fund revenues of $73.2 million in fiscal 2023. The majority of these funds will be drawn from the Strategic Energy Investment Fund, which is composed primarily of revenue received from quarterly Regional Greenhouse Gas Initiative auctions of carbon dioxide emission allowances. In fiscal 2023, the Maryland Energy Administration expects to receive $68.9 million in special funds from the Strategic Energy Investment Fund.

The remaining special funds in the agency will be generated from repayments to the Jane E. Lawton Conservation Loan Program ($1.8 million) and the Offshore Wind Business Development Fund ($2.5 million).

The administration anticipates receiving $1.1 million as part of ongoing federal fund revenues, primarily from the State Energy Program.

Sections of the Maryland Annotated Code

State Government Article, Sections 9-2001 through 9-2008; and State Government Article, Sections 9-20B-01 through 9-20B-12

Legislative Handbook Series Cross-reference

For a discussion of the Regional Greenhouse Gas Initiative, see "Chapter 17. Environment, Agriculture, Natural Resources, and Energy" of this handbook.

Volume II – Government Services in Maryland

Military Department

The Military Department is charged with maintaining a highly trained National Guard within the State that can be called upon in a time of emergency. Federal funds of $46.5 million will be received as an operating subsidy from the National Guard Bureau in fiscal 2023. The Military Department also expects $34.7 million in federal funds to support homeland security and disaster mitigation programs. The Military Department also expects to receive $162,000 in special funds from armory rentals.

Sections of the Maryland Annotated Code

Public Safety Article, Titles 13 and 14

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Maryland Department of Emergency Management

The Maryland Department of Emergency Management was formed by combining the Maryland Emergency Management Agency from the Military Department and the Maryland 9-1-1 Board from the Department of Public Safety and Correctional Services. The Maryland Department of Emergency Management expects $173.4 million in federal funds to support homeland security and disaster mitigation programs.

The Maryland Department of Emergency Management also expects to receive $203.1 million in special funds from the following revenue sources: (1) 9-1-1 Trust Fund; (2) William H. Amoss Fire, Rescue, and Ambulance Fund; (3) moving violation surcharges; and (4) the Volunteer Company Assistance Fund.

Sections of the Maryland Annotated Code

Public Safety Article, Sections 14-101 through 14-116

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Maryland Department of Veterans Affairs

The Maryland Department of Veterans Affairs operates the Charlotte Hall Veterans Home in St. Mary's County. The home provides domiciliary and comprehensive care to veterans who are unable to care for themselves or need skilled nursing care. Federal funds totaling $21.0 million in fiscal 2023 will be used for services and the institutional operations of the Charlotte Hall Veterans Home.

The department will also receive $1.7 million in federal funds for interment of veterans and special funds of $1.1 million for interment of dependents in State veterans' cemeteries. Finally, the department will receive $1,600 in special funds from the Maryland Veterans Trust Fund in fiscal 2023, which consists of gifts and grants received by the department, and $3.1 million from the Bed Lease Fund. Money from the fund allows the Department of Veterans Affairs to maintain a modest reserve for additional needs for Charlotte Hall Veterans Home.

Sections of the Maryland Annotated Code

State Government Article, Title 9, Subtitle 9

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Maryland Institute for Emergency Medical Services Systems

The Maryland Institute for Emergency Medical Services Systems expects about $17.3 million in special funds in fiscal 2023 from licensing commercial ambulances and other miscellaneous fees. The primary source of funding for the institute is the Maryland Emergency Medical System Operations Fund, which is funded from a biennial surcharge on motor vehicle registrations.

Federal funds include $2.1 million for medical response services for children and metropolitan areas.

Sections of the Maryland Annotated Code

Education Article, Section 13-503; and Transportation Article, Section 13-954

Legislative Handbook Series Cross-reference

For a discussion of the surcharge on motor vehicle registrations, see "Chapter 10. Transportation Revenues" of this handbook.

Volume II – Government Services in Maryland

Maryland Department of Planning

The Maryland Department of Planning anticipates special fund collections of $7.4 million in fiscal 2023 from fees collected on goods and services provided and revenues associated with several historical and cultural programs. The Maryland Department of Planning anticipates approximately $199,000 in special fund revenues in fiscal 2023 related to the Historic Preservation Capital project and $271,000 in fee revenue associated with the Maryland Heritage Structure Rehabilitation Tax Credit fees. Approximately $569,000 is also anticipated in special funds from fees charged by the Jefferson Patterson Park and Museum for various activities, approximately $202,000 from donations to the Maryland Historical Trust Board's Preservation Fund, and $150,000 from the State Lottery Fund. An additional $6.0 million in property transfer tax revenue is expected for the Maryland Department of Planning's Maryland Heritage Areas Program. The above estimate excludes pay-as-you-go revolving loan fund revenue attributable to the Maryland Historical Trust Revolving Loan Fund, $150,000 in special funds reflecting revolving funds from loan repayments in fiscal 2023.

The department also expects approximately $1.2 million in federal funds in fiscal 2023 for a variety of historic preservation projects.

Sections of the Maryland Annotated Code

State Finance and Procurement Article, Section 5-304

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Department of Budget and Management

The Central Collection Unit collects delinquent debt (other than overdue taxes) that is owed to various State agencies. For some agencies, including nonbudgeted agencies, collections are returned to the agency after deduction of a collection fee, which may not exceed 20% of the outstanding principal and interest. All fees collected are credited to the Central Collection Fund, which is a continuing, nonlapsing fund. Special funds of $20.1 million are expected in fiscal 2023 from these fees; any excess balance in the fund is transferred to the General Fund. The department also expects to collect special funds of $86.6 million and federal funds of $48.9 million from various State agencies to support departmental operations.

Sections of the Maryland Annotated Code

State Finance and Procurement Article, Sections 3-301 through 3-306

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Department of Information Technology

The Department of Information Technology is projected to receive special fund appropriations totaling $3.0 million in fiscal 2023. The department will receive $1.1 million from the Major Information Technology Development Fund, which is comprised of payments for services from special funded agencies.

The department's Infrastructure Division is responsible for maintaining a high-speed telecommunications network. The division is reimbursed by the users of the system. These users include local government agencies, such as the circuit courts, which are budgeted as special funds. Approximately $1.9 million in special funds are anticipated in fiscal 2023.

Sections of the Maryland Annotated Code

State Finance and Procurement Article, Sections 3A-501 through 3A-506

Department of General Services

The Department of General Services is projected to receive $8.7 million in special funds from the lease of commercial space, rental income, and other miscellaneous revenues, including $4.9 million in special funds from the Strategic Energy Investment Fund and $980,000 in fees generated by the eMaryland Marketplace.

The department will also receive federal funds of approximately $1.5 million from the Medical Assistance Program for rent charges in fiscal 2023.

Sections of the Maryland Annotated Code

State Finance and Procurement Article, Sections 4-504 through 4-508

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Maryland Insurance Administration

The Maryland Insurance Administration expects a total of $35.0 million in special funds in fiscal 2023. The $35.0 million is from the Insurance Regulation Fund assessments on insurance companies subject to administration regulation.

Sections of the Maryland Annotated Code

Insurance Article, Sections 2-101 through 2-215

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Maryland Health Benefit Exchange

The Maryland Health Benefit Exchange was created as a system for the State to implement the federal Affordable Care Act. The exchange is intended to provide a marketplace for individuals and small businesses to purchase affordable health coverage. The exchange expects to receive $32.0 million in special fund revenue in fiscal 2023 from the Maryland Health Benefit Exchange Fund, which is supported by a tax on health insurance premiums, and $20.0 million from the Maryland Health Insurance Plan. Federal funds of $46.7 million are expected in fiscal 2023 from the Medical Assistance program and $432.8 million from the 1332 State Innovation Waiver.

Sections of the Maryland Annotated Code

Insurance Article, Sections 31-101 to 31-119

Maryland Public Broadcasting Commission

Viewer support contributions are projected at $8.6 million in special funds in fiscal 2023 as a result of solicitations made to the public in viewing areas. Special fund revenues of $6.2 million are expected from corporate sponsorship. Local and national corporations or charitable foundations provide both one-time and ongoing general support grants to acquire or produce programming.

The nonprofit Corporation for Public Broadcasting receives federal funds and makes awards in four ways: direct operating grants; program purchases and underwriting of original programming; equipment replacement; and special underwriting of specific programming. Maryland Public Broadcasting Commission accounts for these funds as special funds, and it expects $3.1 million in fiscal 2023. Other federal grants total $466,551 in fiscal 2023 to support energy efficient technology and the new equipment purchased to support the federal repacking process.

Program royalties and other contributions and grants, as well as interest income and other miscellaneous revenues, are expected to generate special funds of approximately $549,000. The two major types of royalties include (1) sales of written material such as study guides, books, and program transcripts and (2) distribution and sales of television programs. Production costs are recouped by marketing television programs produced by the station to other public television stations and foreign programmers.

Sections of the Maryland Annotated Code

Education Article, Title 24, Subtitle 2

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland

Miscellaneous

The executive and administrative control agencies also receive revenues from various miscellaneous sources. These sources, which are projected to generate a total of $6.0 million in fiscal 2023, are listed in **Exhibit 19.6**.

Exhibit 19.6
Executive and Administrative Agencies
Miscellaneous Revenue Estimates
Fiscal 2023
($ in Millions)

	Special Funds	Federal Funds	Total
Revenues by Agency			
Secretary of State	$1.3	$0.0	$1.3
Historic St. Mary's Commission	0.7	0.1	0.8
Commission on Civil Rights	0.0	1.2	1.2
State Archives	2.1	0.0	2.1
Canal Place Preservation and Development Authority	0.5	0.0	0.5
Office of Administrative Hearings	0.1	0.0	0.1
Total	**$4.7**	**$1.3**	**$6.0**

Note: Numbers may not sum to total due to rounding.

Source: *Fiscal 2023 State Budget Books*

Retirement

Maryland State Retirement Agency

The Maryland State Retirement Agency's fiscal 2023 operations will be funded with special fund revenues of $19.4 million that comes from participating local governments.

Sections of the Maryland Annotated Code

State Personnel and Pensions Article, Sections 21-101 to 21-604

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume V – Maryland State Personnel, Pensions, and Procurement

Board of Trustees of the Maryland Teachers' and State Employees' Supplemental Retirement Plans

Special fund revenues of $2.1 million are expected in fiscal 2023 from participants in the supplemental retirement plans for the implementation, maintenance, and administration of the plans. These special fund revenues cover all of the plans' expenses.

Sections of the Maryland Annotated Code

State Personnel and Pensions Article, Titles 21, 22, and 23

Legislative Handbook Series Cross-reference

Volume II – Government Services in Maryland
Volume V – Maryland State Personnel, Pensions, and Procurement