

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 223

(Senator Feldman, *et al.*)

Budget and Taxation

Commission on Tax Policy, Reform, and Fairness

This bill establishes the Commission on Tax Policy, Reform, and Fairness to be staffed by the Department of Legislative Services (DLS). The commission must report its preliminary findings and recommendations to the Governor and General Assembly by December 1, 2020, and its findings and recommendations to the Governor and General Assembly by December 1, 2021. **The bill takes effect June 1, 2020, and terminates June 30, 2022.**

Fiscal Summary

State Effect: DLS can handle staffing responsibilities for the commission with existing budgeted resources. Expense reimbursements for commission members are assumed to be minimal and absorbable with existing resources. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The commission must:

- study the current revenue structure of the State, including income, sales, corporate, motor fuel, excise, and property taxes; tax exemptions and credits; and fees;
- review the academic and economic research on state and local tax policy to assist in the overall assessment of efficacy, fairness, and competitiveness of the current revenue structure of the State;

- review the revenue structure of neighboring jurisdictions for the purpose of evaluating the regional competitiveness of the State’s tax structure;
- consider the nature of the State’s economy and the importance of service and professional businesses to economic development;
- consider whether the current revenue structure of the State should be reformed, modified, and modernized; and
- make recommendations regarding changes to the State’s revenue structure that (1) promote job growth and economic development; (2) ensure fairness, simplicity, and transparency; (3) provide a stable, balanced, and reliable revenue stream, while not reducing services; and (4) create a business-friendly environment.

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

Additional Information

Prior Introductions: Similar bills were introduced in the 2019, 2018, 2015, 2014, and 2013 sessions. HB 873 of 2019 received a hearing in the House Ways and Means Committee, but no further action was taken. HB 1352 of 2018 received a hearing in the House Ways and Means Committee, but no further action was taken. SB 73 of 2015 received an unfavorable report from the Senate Budget and Taxation Committee. Its cross file, HB 221 received a hearing in the House Ways and Means Committee, but no further action was taken. SB 625 of 2014 received a hearing in the Senate Budget and Taxation Committee but no further action was taken. Its cross file, HB 554, passed the House and received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. HB 1302 of 2013 passed the House and received a hearing in the Senate Budget and Taxation Committee, but no further action was taken.

Designated Cross File: HB 185 (Delegate Dumais, *et al.*) - Ways and Means.

Information Source(s): State Department of Assessments and Taxation; Department of Legislative Services.

Fiscal Note History: First Reader - January 27, 2020
af/hlb

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