

Department of Legislative Services  
 Maryland General Assembly  
 2021 Session

FISCAL AND POLICY NOTE  
 Third Reader - Revised

Senate Bill 591

(Senators Zucker and Elfreth)

Budget and Taxation

Ways and Means and Appropriations

Bureau of Revenue Estimates - Tax Incidence Study - Scope and Intergovernmental Assistance

This bill expands the scope of an existing tax incidence study that the Bureau of Revenue Estimates (BRE) must submit to the Governor and General Assembly by including toll charges imposed by the State. The bill clarifies that the major taxes covered by the study include the individual income tax, the motor fuel tax, the real property tax, and the sales and use tax. The study must also include the aggregate impact of the taxes and charges among taxpayers of different income levels. Any governmental unit involved in the implementation and administration of the taxes subject to the study must promptly provide information to BRE and otherwise cooperate with BRE. **The bill takes effect October 1, 2021, and is applicable to tax incidence studies submitted after September 30, 2021.**

Fiscal Summary

**State Effect:** General fund expenditures increase by \$50,000 in FY 2022, by \$140,000 in FY 2024, and by \$65,000 every three years beginning in FY 2027. Revenues are not affected.

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	50,000	0	140,000	0	0
Net Effect	(\$50,000)	\$0	(\$140,000)	\$0	\$0

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

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

**Current Law:** Beginning December 1, 2008, and December 1 of every third year thereafter, BRE must submit a tax incidence study to the Governor and the General Assembly measuring (1) the burden of all the major taxes imposed by the State and (2) how that burden is shared among taxpayers of different income levels.

**State Fiscal Effect:** General fund expenditures for the Comptroller's Office increase by \$50,000 in fiscal 2022, by \$140,000 in fiscal 2024, and by \$65,000 every three years beginning in fiscal 2027 in order for BRE to comply with the requirements of the bill. It should be noted that even with the increased expenditures, BRE may not be able to fully comply with the requirements of the bill. The various issues and limitations noted by BRE are discussed below.

### *Memoranda of Understanding*

BRE reports that getting data from other agencies in a timely manner and usable format is a formidable obstacle and places a significant burden on the Comptroller's Office. In order to get the data required for the study, BRE advises that memoranda of understanding (MOUs) would need to be reached with all relevant State agencies. Oversight of these agreements, establishing common data dictionaries, and working with agencies to get their data formatted and organized in a usable manner would be a significant ongoing burden. BRE advises that writing and reaching MOUs with relevant State agencies would require an expenditure increase of \$50,000 in fiscal 2022.

### *Data Limitations*

With regards to the real property tax, BRE would need access to individualized tax data from the State Department of Assessments and Taxation (SDAT). Furthermore, BRE would need to match this data by Social Security number to income tax data that will require significant computer programming for both SDAT and BRE.

Since the motor fuel tax is remitted by retailers, not purchasers, there is no data available to BRE or the Maryland Department of Transportation that provides the income of people purchasing gas, nor is data available to differentiate purchasers of motor fuel between residents and nonresidents. BRE advises that in order to provide an analysis for the motor fuel tax that significant assumptions would have to be made in order to estimate the incidence based on the available survey data.

Similar issues apply to toll charges in that data is limited and difficult to access. In addition, assumptions are more difficult to make because toll expenses depend on an individual's place of residency and their typical commute.

The bill will require that BRE measure the aggregate impact of the taxes and charges among taxpayers of different income levels. Due to the wide variety of data sources, BRE advises that it may not be possible to produce a useful analysis aggregating the impact of taxes, tolls, and fees across different income levels. For example, personal income tax data comes from the Comptroller's *Statistics of Income Report* that uses certain income cohorts. However, consumption by income data, needed for the sales and use tax, comes from the Federal Bureau of Economic Analysis and has different income cohort ranges that also change from year to year.

### *Implementation Costs*

BRE indicates that the requirements of the bill entail a significant legal, administrative, and programmatic burden for the Comptroller's Office. BRE would have to establish new methodologies for the required tax types. As a result, the Comptroller's Office would need significant start-up resources as well as ongoing contractual expenses for updating data every three years. The estimated increase in general fund expenditures will total \$140,000 in fiscal 2024 for computer programming and data collection changes that include initial start-up costs. These costs would be reoccurring every three years the study is required but at a reduced cost of \$65,000 beginning in fiscal 2027.

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## **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** HB 712 (Delegate D. Jones) - Ways and Means and Appropriations.

**Information Source(s):** Comptroller's Office; Department of Legislative Services

**Fiscal Note History:** First Reader - February 9, 2021  
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