

The Maryland General Assembly
Special Session in October, 2011
A Venue to address issues important to the state, Or...
Another opportunity to “Stick it to the taxpayers”

Maryland’s regular legislative session of the General Assembly convenes on the second Wednesday in January every year and meets for 90 consecutive days (unless the session is extended). The period between that annual session (and any extensions to it) and the next annual session is called the “interim”. A “special session” of the legislature is called when issues **requiring legislative action** arise during the interim period.

The Governor calls a special session after a majority of the members of each of Maryland’s two bodies (House of Delegates and Senate) join in a petition for a special session. However, it is up to the leaders of the House and Senate to compel attendance and punish absences. Absences are generally excused by the presiding officer of each legislature.

In Maryland a special session can be no more than 30 days. It cannot be extended, but a new special session may be called. However, new bills would have to be introduced in the new session.

A special session is usually called to address a specific, usually time sensitive, issue. However, other legislation, not related to the issue, can be introduced although usually such legislation is referred to the rules committee of each legislative house where it often dies in committee.

However, with the recent Democratic propensity to tax and spend at a somewhat frantic pace, this has not been the case. In the last special session, in October of 2007, the legislators managed to **increase taxes by \$800 million**, a Herculean effort for a three week special session! Please see the attached summary of the results of the 2007 special session.

This will be the 15th special session of the Maryland legislature since 1970. Given the outcome of the 14th session in 2007, we are concerned that the legislators will use this platform to slip through additional taxes because the short time frame severely limits the public’s time to build substantive opposition to those taxes. The special session was never intended to be used in that manner!!!

The principle excuse for calling this special session is the need to consider “redistricting”. However, the democrat leadership is salivating over this new opportunity to increase taxes. In fact State Senator Miller asked for a plan that would address:

- a) The teacher’s pension issue, i.e., transferring part of teacher pensions back to the counties;
- b) Closing the remainder of the state’s structural deficit with increased revenue. Here leadership is focusing on “widening Maryland’s sales tax to include more services”. “This is the place

to go” says Senator Edward Kasemeyer (D-Howard). Note that he specifically mentioned apply the 6% sales tax to the sale of, you guessed it, gasoline!

- c) Transportation needs by calling for “greater contributions from the users and beneficiaries of our public infrastructure”, i.e., raising the gas tax and other transportation fees.

We have to get out ahead of these issues now by getting to state legislators early and often.

Special Session Results in \$800 Million in New Business Taxes

The General Assembly concluded its 3 week special session today by enacting \$1.4 billion in new taxes, \$400 million in possible future state budget reductions, and authorizing slots at up to 5 locations, if approved at referendum by the voters in November of 2008. The share of new taxes paid by Maryland businesses will exceed \$800 million. The final package of 6 bills differs significantly from the Governor's original proposals, but should resolve the projected state general fund structural deficit and pump over \$400 million annually into state transportation projects. See a detailed summary of the package prepared by the Department of Legislative Services [here](#).

Corporate Taxes

- The corporate income tax rate would increase from 7% to 8.25% effective for taxable years beginning after December 31, 2007.
- Although combined reporting was defeated, a 17-member Maryland Business Tax Reform Commission will study changes to the state's business taxes over the next 4 years. The Maryland Chamber of Commerce will have the only business member on the Commission.
- New, extensive and onerous reporting requirements will be imposed on corporations as part of their corporate tax return or for publicly traded companies with any minimal business activity in Maryland, effective for taxable years beginning after December 31, 2005 (see pages 40 - 49 of SB 2).

Sales Tax

- Sales tax rate increased from 5% to 6% effective January 3, 2008.
- Vendor credit limited to \$500 per return from January 3, 2008 to June 30, 2011
- Vendors would be allowed to assume or absorb the sales tax.
- Sales tax imposed on certain "computer services" from July 1, 2008 to June 30, 2013 (see pages 24 - 25 of SB 2).

Individual Income Tax

- New brackets of:
 - 5% of income over \$150,000 individual/\$200,000 joint
 - 5.25% of income over \$300,000 individual/ \$350,000 joint
 - 5.5% of income over \$500,000
- Personal exemption is increased from \$2,400 to \$3,200, but phased-out at incomes above \$125,000 individual and \$175,000 joint.

Transportation

- Titling tax increased from 5% to 6%, with a full trade-in allowance, for titles issued on or after January 1, 2008.
- No gas tax increase.

- Transportation to receive roughly 50% of the sales tax rate increase and other revenues for a total state transportation revenue increase of over \$400 million annually.

Slots

- Up to 15,000 video lottery terminals at no more than 5 locations.
- Implementation of slots would be dependent on the passage of a state constitutional amendment at a referendum at the November 2008 election.
- The state share of revenues would be dedicated to funding education aid, school construction and higher education construction.

Everything Else

- Cigarette tax increased from \$1 to \$2 a pack effective January 1, 2008.
- Transfer and recordation taxes will be imposed on transfers of controlling interests in business entities with Maryland real property as their primary asset, effective July 1, 2008.
- Local governments would be authorized for the next 3 years to impose higher taxes on the equipment and machinery used to generate electricity, steam, or hot or chilled water for sale.
- Higher education institutions will receive \$16 million in fiscal year 2008 and \$55.5 million in fiscal year 2009 in a Higher Education Investment Fund. Future funding would be dependent on legislation enacted in 2008.
- State Medicaid eligibility would be increased to 116% of federal poverty guidelines, but services would be limited unless the state general fund achieves designated revenue targets. Employers with fewer than 10 employees who have not offered health insurance benefits within the past 12 months and agree to meet certain conditions would be eligible to receive a state subsidy to provide health insurance. Prominent health insurance carriers would be required to offer wellness programs in the small group market.
- A Chesapeake Bay 2010 Trust Fund is established and annually funded at over \$50 million of gas tax and rental vehicle revenues. The revenue from this special fund will be used by state and local agencies to pay for a variety of Chesapeake Bay-related projects.