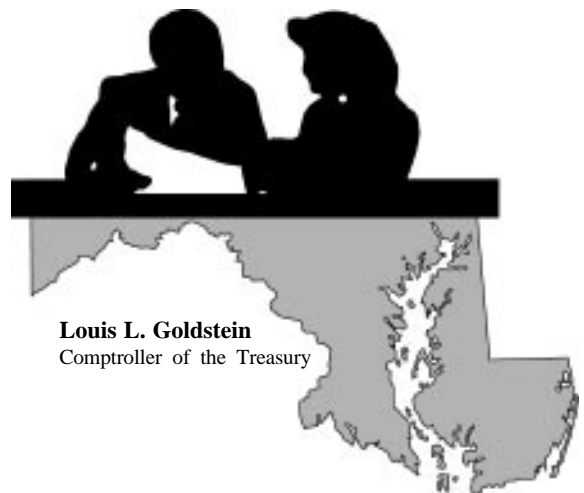


State of Maryland

Consolidated Revenue Report

Fiscal Year 1997



Louis L. Goldstein
Comptroller of the Treasury

Serving Maryland taxpayers

**To the Governor, Members
of the General Assembly
and the People of Maryland:**

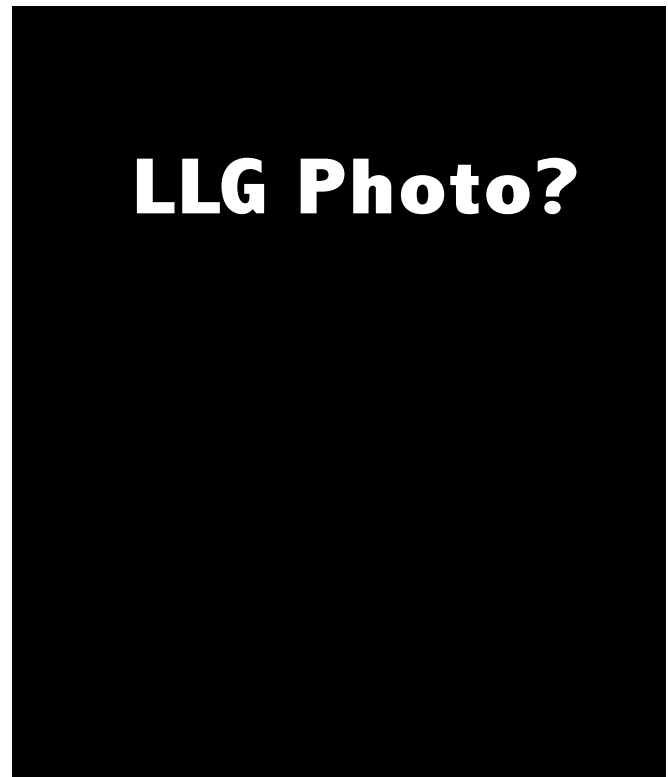
I am pleased to submit to you this eighth consolidated report on those revenues collected by the Comptroller of the Treasury. This report is not intended to replace the Comprehensive Annual Financial Report, also issued by my office, which summarizes the annual financial activities of the state.

During fiscal year 1997, the Comptroller's Office collected \$9.216 billion in revenues. Of this amount, \$6.353 billion was deposited into the state's general fund, \$2.135 billion was collected for distribution to Maryland's counties and municipalities, and \$728 million was collected for the Department of Transportation and other special fund agencies of the state. These revenues were collected at a cost to the taxpayers of 63 cents per \$100 collected.

During fiscal year 1997, the Comptroller's Office continued to expand the technologies used to collect revenue and provide service to business and individual taxpayers. We greatly expanded our presence on the world wide web, offering tax forms, publications, information and e-mail access to our taxpayer service personnel. Our website experienced 1.2 million hits during the income tax filing season alone.

We continue to expand the use of electronic filing for personal income taxes, registering a 30% growth in the number of income tax returns filed electronically for tax year 1996. We also offered, for the first time, the opportunity for visitors to use our website to search the most recently-reported unclaimed funds information. The use of our website by taxpayers and other visitors actually reduced the telephone and written correspondence burden for our office while providing more efficient taxpayer service.

During fiscal year 1997, we began collecting personal estimated income tax payments through a bank lockbox system, removing more than 850,000 checks and payment vouchers from our office workflow. We also implemented the International Fuel Tax Agreement (IFTA), under which most motor carrier payments for road use taxes are filed with a central collection entity. Our office works with that



entity and the other states to ensure that Maryland receives its proper share of road use tax revenue.

We also continue to expand the use of electronic funds transfer to collect income tax withholding, sales and use tax, and other payments. For fiscal year 1997, \$5 billion or 54% of the revenue we collected was collected through electronic funds transfer.

During fiscal year 1997, the Comptroller's Office began a strategic planning initiative to develop a strategic plan through the year 2005.

I hope this report will help you understand the organization and operations of my office and its efforts to fairly and equitably administer Maryland's tax laws.

Cordially,

Louis L. Goldstein
Comptroller of the Treasury
State of Maryland

For further information, contact:
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Annapolis, Maryland 21404 • 410-974-3801

Mission

The Maryland State Comptroller's Office will enhance its role as the leader in state tax and financial administration. We will fulfill our mission using the most effective technologies and management practices as we continue to provide responsive and courteous service to all citizens, businesses, state employees, and other government agencies.



Organization

The Comptroller of the Treasury is organized into five major functional areas:

(1) Executive Direction and Administration, which includes the State Comptroller and his staff, and the agency's central management and budgeting functions; (2) Revenue Administration, which includes administering and enforcing the state and local income tax laws, the sales and use, motor fuels, alcoholic beverages and tobacco, energy generation, and estate taxes, emergency telephone system tax, unclaimed property and the local admissions and amusement taxes; (3) Regulation, which includes regulating the alcohol, tobacco and motor fuel industries; (4) Financial Control, which includes accounting for revenues and expenditures, revenue estimating and payroll operations; and (5) Data Services, which entails responsibility for data processing/computer services for most state agencies.

Executive Direction and Administration

Office of the Comptroller

The Office of the Comptroller provides executive direction for the Comptroller of the Treasury, including staff support for the comptroller and deputy comptrollers. The public affairs and training functions are also included, as is support for the comptroller's responsibilities as a member of the Board of Public Works. Administrative support and direction for the 24 Registers of Wills is also provided by the Office of the Comptroller.

Office of Administration and Finance

The Office of Administration and Finance provides centralized budgeting, accounting and procurement activities for the Comptroller of the Treasury. The office provides mailroom, printing and other administrative support services. This office also performs capital grant and loan administration as well as accounting for debt service on the state's general obligation bonds.

Office of Human Resources

The Office of Human Resources provides recruiting, personnel and equal employment opportunity services to the Comptroller of the Treasury.

Revenue Administration

Revenue Administration Division

The Revenue Administration Division processes personal, corporation, fiduciary, employer withholding, estate, tire fee, admissions and amusement, sales and use, and motor fuel tax returns. All remittances received with these returns are deposited through a Centralized Remittance Processing Center.

In addition, the division is responsible for providing assistance to taxpayers, adjusting taxpayer accounts, controlling all tax processing systems, accounting for and reporting all tax revenues received, and distributing the local income tax collected on Maryland state and local income tax returns to the subdivisions of Maryland.

Compliance Division

This division is responsible for business tax audits, compliance programs, delinquent tax collection, tax hearings and appeals, fuel quality testing; and alcohol and tobacco law enforcement.

Additionally, the Compliance Division is responsible for:

- administering the Uniform Disposition of Unclaimed Property Act pursuant to Title 17 of the Commercial Law Article of the Annotated Code of Maryland;
- collecting and distributing the Environmental Trust Fund revenue pursuant to Section 3-302 of the Natural Resources Article of the Annotated Code of Maryland, the Telephone Trust Fund revenue pursuant to Section 18-105 of Article 41 of the Annotated Code of Maryland, and the Telecommunications Access of Maryland Surcharge under Section 6-507 of Article 41 of the Annotated Code of Maryland; and
- enforcing the State Revenue License Laws under Title 17 of the Business Regulation Article of the Annotated Code of Maryland.

Regulation

Alcohol and Tobacco Tax Unit

This unit administers laws and regulations pertaining to alcoholic beverages and tobacco. The unit is responsible for regulating the manufacture, storage, transportation, sale and distribution of alcoholic beverages and cigarettes, and collects the excise tax on beer, wine, distilled spirits and cigarettes.

In fulfillment of its responsibilities, the unit issues licenses and permits, maintains alcoholic beverage price filings and credit control lists, and promotes fair trade practices in accordance with the law.

Motor Fuel Tax Unit

This unit licenses and regulates motor fuel dealers (i.e., anyone bringing petroleum products into Maryland for a first sale), all motor fuel resellers and all motor fuel users with bulk storage. It registers and licenses interstate motor carriers based in Maryland under the International Fuel Tax Agreement (IFTA), and it registers petroleum transporters operating in and through Maryland.

Financial Control

General Accounting Division

The General Accounting Division maintains the state's general ledger and other official accounting records, which account for all state funds; exercises overall appropriation control; performs compliance auditing on all disbursements; approves warrants for all money to be paid into or out of the treasury; countersigns and distributes all state treasury checks; promulgates general guidance on matters concerning internal control; prepares the state's comprehensive annual financial reports and certain other financial reports; makes certain calculations concerning the administration and distribution of revenues; and manages the contract for the audit of the state's annual financial report and all federal grants to the state.

Bureau of Revenue Estimates

The Bureau of Revenue Estimates carries on continuing studies and reviews of the economic and business situations as they affect the revenue of the state. The bureau serves as executive secretariat to the Board of Revenue Estimates, which is composed of the state comptroller, state treasurer and secretary of budget and management. It prepares various reports on revenues throughout the year.

Central Payroll Bureau

The Central Payroll Bureau pays biweekly salaries to all state employees of the legislative, judicial and executive branches as well as the University of Maryland System. Special payments for services of employees hired on a contractual basis are also paid through this bureau. The Central Payroll Bureau is dedicated to providing services to state employees, agency payroll offices, and to other government entities through timely and accurate wage and other associated payments; through the provision of direct deposit services; and by the management of the deductions and payment distribution of over 165 unique payroll deductions.

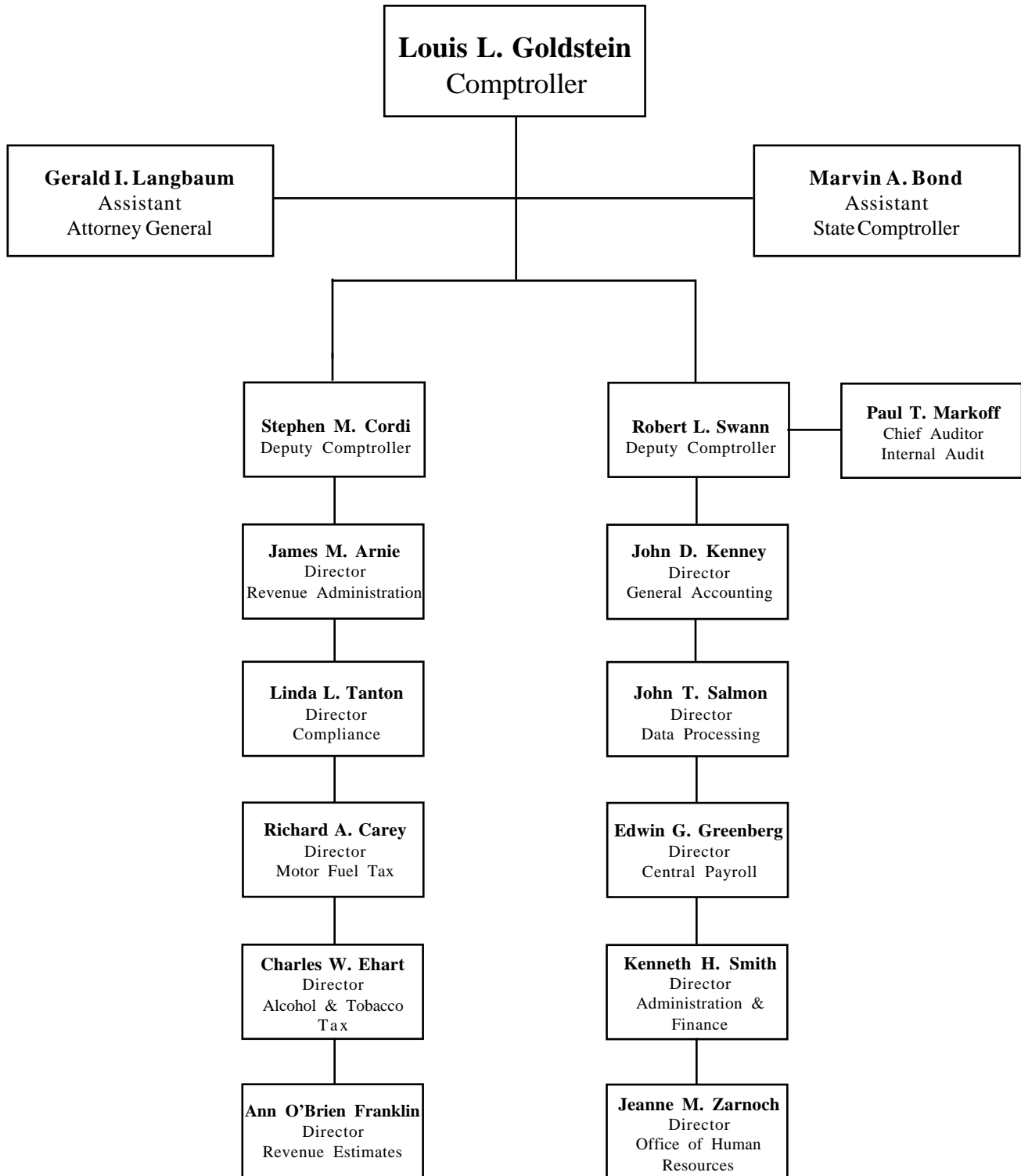
Data Services

Data Processing Division

This division functions as a service bureau, providing modern data processing/computer services to most state agencies. The division includes a large computer center in Annapolis, known as the Annapolis Data Center. The computer center is connected to more than 19,000 remote terminals throughout the state and is critical to the daily operation of most state agencies. The security and privacy of information is of the highest priority.



Comptroller of the Treasury Organizational Chart





Revenues Collected by the Comptroller's Office

State and Local Revenues Collected by the Comptroller's Office by Source and Fund

(Dollars in Thousands)

The Comptroller's Office collects revenue on behalf of both the state and local governments. The \$7.1 billion in state receipts that were collected by the Comptroller's Office in fiscal year 1997 represents 47.2% of the \$15.0 billion in total state revenues received.

	FY 1997				FY 1996 Total	\$ Growth	% Change
	State General	State Special	Local	Total			
Personal Income Tax	\$3,767,237	\$ -	\$2,091,737	\$5,858,974	\$5,402,928	\$456,046	8.4
Corporation Income Tax	265,987	82,064	-	384,051	329,852	18,199	5.5
Sales and Use Tax	2,093,821	-	-	2,093,821	2,000,295	93,526	4.7
Motor Fuel Tax	10,738	604,872	-	615,610	616,987	(1,377)	(0.2)
Alcohol Taxes	23,377	-	-	23,377	23,337	40	0.2
Tobacco Taxes	130,162	-	-	130,162	132,279	(2,117)	(1.6)
Estate Tax	38,090	-	-	38,090	49,525	(11,435)	(23.1)
Savings and Loan Assoc. Franchise Tax	1,539	-	-	1,539	1,768	(229)	(13.0)
Admissions and Amusement Tax	-	1,190	43,468	44,658	36,461	8,197	22.5
Energy Generation Surcharge	-	7,559	-	7,559	7,601	(42)	(0.5)
Emergency Telephone System Tax	-	21,300	-	21,300	16,489	4,811	29.2
Unclaimed Property	22,216	1,663	-	23,879	34,249	10,370	(30.3)
Telecommunications Access of Maryland	-	4,304	-	4,304	4,258	46	1.1
Tire Recycling Fee	-	5,037	-	5,037	5,142	(105)	(2.0)
Total	\$6,353,165	\$ 727,990	\$2,135,205	\$9,216,360	\$8,661,170	\$ 555,190	6.4

() denotes decrease

Detail may not add to total due to rounding.

Total State Revenue FY 1997

**Revenue Collected by
Comptroller's Office**

\$7,081,155,000

47.2%



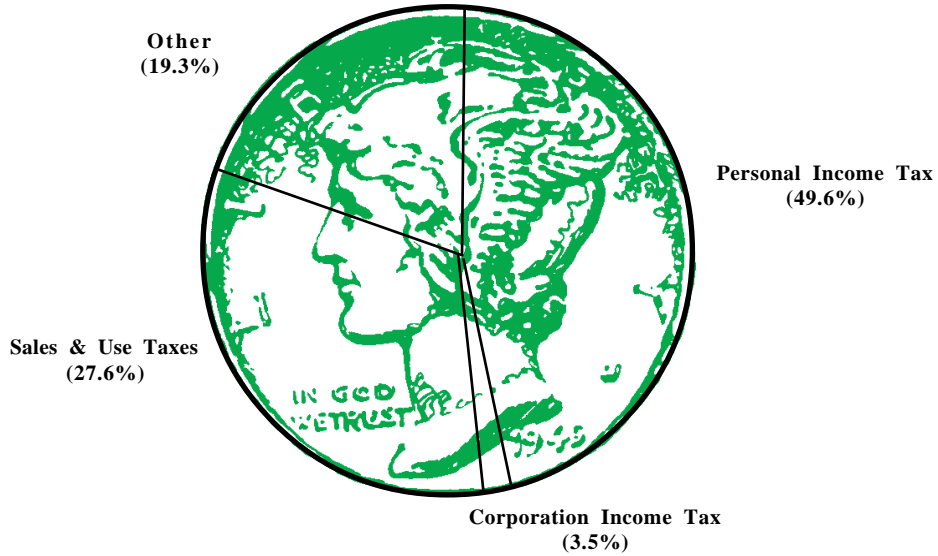
**Revenue Collected from
Other Sources**

\$7,921,305,000

52.8%

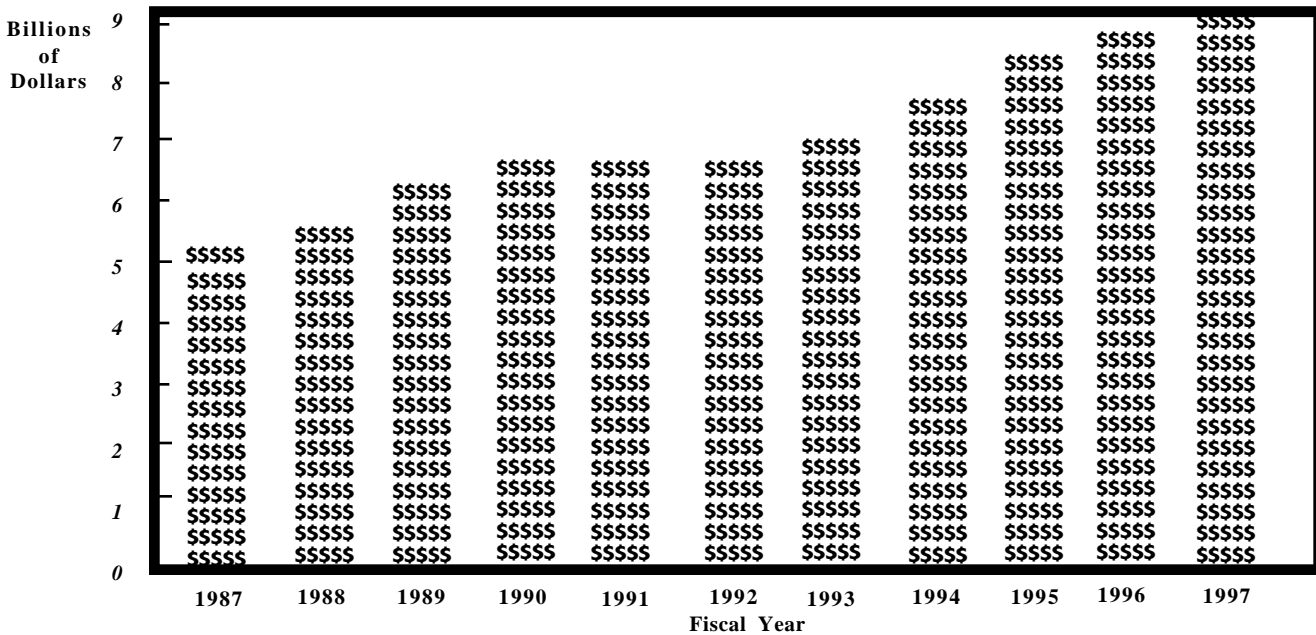
General Fund Revenue Collections

During fiscal year 1997, the Comptroller's Office collected 84 cents of every revenue dollar (exclusive of interfund transfers) deposited into the state's general fund. The following chart shows the principal sources of general fund revenues.



State and Local Revenue Collected by the Comptroller's Office

In fiscal year 1987, the Comptroller's Office collected \$5.3 billion in state and local revenues. In fiscal year 1997, these collections amounted to \$9.2 billion - a 74% increase. The following chart shows the annual growth in these collections.





Taxes Administered by the Comptroller's Office

Revenue Source	Rate (as of June 30, 1997)	Description
State Personal Income Tax	2% 1st \$1,000 3% 2nd \$1,000 4% 3rd \$1,000 and: 5% on \$3,001 and over	Annual tax imposed upon individuals and fiduciaries based on Maryland taxable income (federal taxable income with Maryland modifications).
Corporation Income Tax	7%	Annual tax on the entire net income of the corporation apportioned and allocated to Maryland.
County (Local) Income Tax	A minimum of 20% and a maximum of 60% of state tax liability	A tax imposed on resident individuals, certain nonresident individuals and fiduciaries by the 23 counties and Baltimore City. Each county sets its own rate as a percentage of the state income tax (after deduction of earned income credits).
Sales and Use Tax	5% tax levied on bracketed rate structure	A tax imposed on the sale or use of tangible personal property and certain enumerated services.
Admissions and Amusement Tax	Maximum 10% rate set by counties, incorporated cities and towns	A tax imposed by counties, incorporated cities and towns on certain enumerated admissions and amusement charges.
Unclaimed Property	Actual value of property	Bank accounts, stock certificates and dividends, security deposits, payroll checks, insurance proceeds, etc., are presumed abandoned if without activity for a specified period. The property is turned over to the state by the holders.
Energy Generation Surcharge	.15 mill per kilowatt hour or \$1,000 per month, whichever is less	Environmental surcharge for kilowatt hour of electric energy generated in the state; monies paid into the Environmental Trust Fund.
Emergency Telephone Systems Tax	\$.10 per month paid by each subscriber; counties can charge up to an additional \$.50 per subscriber per month	Created to provide grants to the counties to finance installation of a 911 system on a statewide basis and to provide grants to finance enhancements to existing systems.
Savings and Loan Association	0.013%	Annual tax on the total withdrawal value of Franchise Tax deposits that a savings and loan association holds in the state on December 31.
Estate Tax	Unused federal credit	Imposed upon the transfer of a Maryland estate. Calculated as the amount by which the federal state death tax credit exceeds the total of Maryland inheritance taxes and taxes imposed by other states on property included in the Maryland estate.
Telecommunications Access	\$.12 per month paid by each subscriber	A tax imposed on telephone subscribers in Maryland to provide telephone service to hearing and speech impaired citizens.

Revenue Source	Rate	Description
Tire Recycling Fee	\$1.00 per new tire	A fee imposed on each new tire. The fee applies to the first sale of a tire in Maryland which is not a sale to a wholesaler.
Alcoholic Beverages Taxes	<i>Per Gallon:</i>	Wholesale tax on wine and distilled spirits reported monthly based on sales to retailers. Nonresident supplier, or wholesaler who self-imports beer, remits beer tax prior to entry into state.
	Distilled Spirits \$ 1.50	
	Wine \$.40	
	Beer \$.09	
Alcoholic Beverages Manufacturer's Licenses	Distillery \$ 2,000	Annual license fee imposed to operate a distillery, rectifying plant, brewery or winery; pub-brewery and micro-brewery licenses are issued to holders of Class "B" retail licenses under certain conditions.
	Rectifying Plant \$ 600	
	Winery \$ 750	
	Limited Winery \$ 200	
	Brewery \$ 1,500	
	Pub-Brewery \$ 500	
	Micro-Brewery \$ 500	
Alcoholic Beverages Wholesale Licenses	Beer, Wine, Liquor \$ 2,000	Annual license fee authorizes holder to receive product from licensees and holders of nonresident dealer permits and to make sale and delivery of product to businesses and permit holders in Maryland and persons outside this state.
	Wine & Liquor \$ 1,750	
	Beer & Wine \$ 1,500	
	Beer \$ 1,250	
	Wine \$ 1,250	
Alcoholic Beverages Permits	Ranges from \$2 - \$500	A variety of permits are issued authorizing the sale, shipment, transport, storage and solicitation of alcoholic beverages.
Tobacco Tax	\$.18 for each pack of 10 or fewer cigarettes and \$.36 per pack of at least 11 and not more than 20 cigarettes. \$.018 per each cigarette in packages of more than 20	Licensed Maryland cigarette wholesalers pay tax by purchasing tax stamps which they affix to all packages of cigarettes before sale at retail.
Tobacco Licenses	Manufacturer \$ 25	Annual license fee imposed upon various dealers and handlers of cigarettes.
	Wholesaler \$ 750	
	Sub-Wholesaler \$ 500	
	Vendor \$ 500	
	Storage Warehouse \$ 25	
Motor Fuel Tax	\$.235 per gallon	Tax on all gasoline used as a motor fuel.
	\$.2425 per gallon	Tax on special fuels (diesel/kerosene) other than clean-burning fuels used as a motor fuel.
	\$.235 per gallon	Tax on clean-burning fuels used as a motor fuel.
Aviation Fuel Tax	\$.07 per gallon	Tax on motor fuel used to power aircraft not operated for common carriage or by government entities.
Motor Carrier Tax	\$.2425 per gallon for special fuels (diesel/kerosene) other than clean-burning fuels. \$.235 per gallon for gasoline and clean-burning fuels	Tax on motor carriers who operate commercial motor vehicles on Maryland highways.
IFTA Motor Carrier Decal Fees	\$7 per vehicle (2-decal set per vehicle)	Annual IFTA license and identification markers required for all commercial motor vehicles operated by Maryland-based interstate motor carriers in Maryland and at least one other IFTA jurisdiction.
Motor Carrier Decal Fees	\$7 per decal	Annual identification marker required for all commercial motor vehicles operated by non-IFTA intrastate motor carriers in Maryland.
Motor Carrier Trip Permit	\$42 per permit	Temporary 15-day permit fee in lieu of identification marker.



Personal Income Tax

During fiscal year 1997, the Comptroller's Office collected \$6.7 billion in state and local income tax payments and refunded \$845.6 million to personal income taxpayers. The Comptroller's Office also collects and distributes the local income tax for Maryland subdivisions.

Table 1 reflects the gross collections and net revenues for the general fund. Table 2 displays the distribution of income tax revenue to Baltimore City, Maryland's 23 counties and the incorporated towns, and special taxing districts within those counties.

Table 1

**Personal Income Tax
Fiscal Year 1997**

	Gross Revenues	Refunds	Reserve for Subdivisions	Chesapeake Bay and Endangered Species Fund	Fair Campaign Fund	Net amount to the General Fund
Personal income tax	\$6,341,922,471	\$838,846,452	\$2,081,661,173	\$875,421	\$84,772	\$3,420,454,653
Personal estimated tax payments not claimed on returns	43,178,054					43,178,054
Employer withholding tax payments not claimed on returns	286,458,237	4,513,182				281,945,055
Fiduciary income tax	28,854,470	2,229,289	10,076,135	373	65	16,548,608
Fiduciary estimated tax payments not claimed on returns	1,582,470					1,582,470
Unidentified tax payments	3,541,356	13,662				3,527,694
Total	\$6,705,537,058	\$845,602,585	\$2,091,737,308	\$875,794	\$84,837	\$3,767,236,534

Table 2
Distribution of Local Income Tax Receipts
Fiscal Year 1997
(Dollars in Thousands)

County	Distributions to Cities & Towns	Distributions to Counties	Total Distributions
Allegany	\$ 1,867	\$ 16,200	\$ 18,067
Anne Arundel	2,469	184,642	187,111
Baltimore	-	313,564	313,564
Calvert	228	23,878	24,106
Caroline	347	6,554	6,901
Carroll	2,022	54,236	56,258
Cecil	916	21,991	22,907
Charles	551	35,594	36,145
Dorchester	417	6,024	6,441
Frederick	3,055	60,982	64,037
Garrett	242	5,145	5,387
Harford	1,522	72,038	73,560
Howard	-	116,180	116,180
Kent	276	4,880	5,156
Montgomery	12,974	544,258	557,232
Prince George's	12,766	248,095	260,861
Queen Anne's	205	14,891	15,096
St. Mary's	104	26,535	26,639
Somerset	127	3,791	3,918
Talbot	1,029	13,723	14,752
Washington	1,792	31,403	33,195
Wicomico	1,346	23,337	24,683
Worcester	874	6,869	7,743
Baltimore City	-	123,393	123,393
Total	\$ 45,129	\$ 1,958,203	\$ 2,003,332



Corporation Income Tax

During fiscal year 1997, the Revenue Administration Division collected \$348.1 million in corporation income tax revenues.

The revenues from Maryland's corporation income tax are allocated between the general fund and various trans-

portation programs on the basis of a complex formula. The following table lists the revenues that were distributed to each of the various funds during fiscal year 1997.

Allocation of Corporation Income Tax Receipts

(Dollars in Thousands)

General Fund		\$	265,987
Special Funds:			82,064
Transportation Trust Fund	\$	37,291	
Gasoline and Motor Vehicle Revenue Account		44,773	
Total		\$	348,051

Revenues from the gasoline and motor vehicle revenue account are distributed among the Department of Transportation and local governments on the basis of the following formula:

- ◆ 70% to the Department of Transportation
- ◆ 15% to Baltimore City
- ◆ 15% to the remaining cities, counties and towns



Sales and Use Tax

During fiscal year 1997, the Comptroller's Office collected \$2.09 billion in net sales and use tax receipts. Tax collections totalled \$2.10 billion, and refunds totalled \$10.1 million.

The taxable food and beverage group produced the largest amount of revenue (\$435.9 million), followed by the general merchandise group (\$394.3 million). The furniture, fixtures and appliance group produced the third largest amount (\$280.5 million).

Among the geographic regions, Baltimore County generated the most revenue (\$325.4 million), followed by Montgomery County (\$309.5 million), Prince George's County (\$252.0 million), Baltimore City (\$211.3 million) and Anne Arundel County (\$179.5 million).

Table 3 represents a two-year comparison of sales and use tax revenue by county. Table 4 presents sales and use tax collections by county and principal type of business for fiscal year 1997.

Table 3
Sales and Use Tax Receipts by County
(Dollars in Thousands)

	F.Y. 1997	F.Y. 1996	% Change	% of FY '97 Total
Allegany	\$ 28,520	\$ 24,880	14.63	1.36
Anne Arundel	179,524	187,425	(4.22)	8.53
Baltimore	325,419	334,768	(2.79)	15.47
Calvert	14,408	12,182	18.27	0.68
Caroline	4,005	3,510	14.10	0.19
Carroll	41,406	36,653	12.97	1.97
Cecil	19,042	17,649	7.89	0.91
Charles	49,040	48,897	0.29	2.33
Dorchester	7,000	5,554	26.04	0.33
Frederick	61,483	59,914	2.62	2.92
Garrett	8,153	7,597	7.32	0.39
Harford	58,043	51,203	13.36	2.76
Howard	86,408	82,432	4.82	4.11
Kent	5,546	5,185	6.96	0.26
Montgomery	309,513	307,185	0.76	14.71
Prince George's	252,007	235,938	6.81	11.98
Queen Anne's	11,018	10,310	6.87	0.52
St. Mary's	20,311	18,252	11.28	0.97
Somerset	2,721	2,411	12.86	0.13
Talbot	17,662	14,558	21.32	0.84
Washington	49,176	47,817	2.84	2.34
Wicomico	37,939	35,112	8.05	1.80
Worcester	35,756	33,450	6.89	1.70
Baltimore City	211,325	192,080	10.02	10.04
District of Columbia	22,609	13,309	69.88	1.07
Other/Out-of-State Vendors	245,925	224,055	9.76	11.69
Total Gross Receipts	\$ 2,103,964	\$ 2,012,326	4.55	100.00
Less Refunds	(10,144)	(12,032)	(15.70)	
Total Net Receipts	\$ 2,093,821	\$ 2,000,294	4.68	

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

County-specific sales tax data for FY97 may not be comparable to prior years due to changes in the allocation methodology.

Table 4
Sales and Use Tax Gross Receipts by County and Principal Type of Business for F. Y. 1997
(Dollars in Thousands)

County	Food & Beverage	Apparel	General Merchandise	Automotive	Furniture & Appliances	Building & Industrial Supplies
Allegany	\$ 6,324	\$ 852	\$ 8,241	\$ 1,957	\$ 2,648	\$ 3,815
Anne Arundel	45,364	9,526	41,469	15,901	19,965	14,177
Baltimore	66,873	19,314	68,092	21,230	46,964	27,892
Calvert	4,167	118	4,178	948	575	1,785
Caroline	1,234	9	357	514	240	352
Carroll	10,103	971	11,305	3,160	2,469	6,816
Cecil	6,233	1,087	4,115	1,843	694	2,306
Charles	10,180	3,183	14,442	3,025	3,148	8,254
Dorchester	1,899	119	2,219	517	273	643
Frederick	14,647	2,259	13,762	4,229	4,302	11,162
Garrett	2,116	49	1,099	931	376	1,594
Harford	14,820	1,718	16,903	3,985	4,607	6,756
Howard	18,993	4,148	16,223	4,866	13,364	8,684
Kent	1,695	117	712	475	200	916
Montgomery	69,678	20,463	58,387	20,259	52,030	17,874
Prince George's	55,908	14,615	53,255	22,123	30,846	28,877
Queen Anne's	3,263	1,809	1,686	942	676	836
St. Mary's	6,017	373	5,657	1,544	1,401	2,522
Somerset	1,063	0	256	156	171	107
Talbot	4,358	392	3,786	1,241	919	2,987
Washington	11,295	1,138	10,618	3,951	4,524	8,638
Wicomico	6,927	1,627	11,887	2,374	2,754	4,649
Worcester	15,288	1,743	3,868	1,026	1,085	1,614
Baltimore City	53,255	9,831	17,196	11,795	17,292	26,495
District of Columbia	279	44	2,092	163	2,003	4,080
Other/Out-of-State Vendors	3,930	4,303	22,473	9,931	66,942	51,461
Total	\$ 435,908	\$ 99,808	\$ 394,279	\$ 139,086	\$ 280,498	\$ 245,292

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

County-specific sales tax data for FY97 may not be comparable to prior years due to changes in the allocation methodology.

Table 4**Sales and Use Tax Gross Receipts by County and Principal Type of Business for F.Y. 1997**
(Continued)

Utilities & Transportation	Hardware, Machinery & Equipment	Miscellaneous	Assessment Collections	Total Collections
\$ 1,527	\$ 477	\$ 2,480	\$ 199	\$ 28,520
3,973	7,006	21,312	831	179,524
26,949	10,531	34,988	2,586	325,419
681	678	1,259	19	14,408
316	158	755	70	4,005
1,231	1,972	3,166	213	41,406
48	610	2,003	103	19,042
1,555	1,732	3,337	184	49,040
433	312	518	67	7,000
2,111	2,545	6,008	458	61,483
342	317	1,191	138	8,153
1,617	2,488	4,934	215	58,043
3,920	3,550	12,251	409	86,408
398	299	640	94	5,546
22,871	8,207	38,407	1,337	309,513
11,641	9,400	24,261	1,081	252,007
459	300	917	130	11,018
680	651	1,420	46	20,311
427	50	255	236	2,721
1,000	642	2,165	172	17,662
2,406	1,455	4,945	206	49,176
1,970	1,767	3,705	279	37,939
1,133	731	9,032	236	35,756
34,636	8,615	30,244	1,966	211,325
5,369	366	7,265	918	22,609
16,033	12,221	55,251	3,380	245,925
<u>\$ 143,728</u>	<u>\$ 77,080</u>	<u>\$272,710</u>	<u>\$ 15,574</u>	<u>\$ 2,103,964</u>



Admissions and Amusement Tax

The Comptroller's Office is also responsible for administering, collecting, and distributing the admissions and amusement tax revenues to the counties and incorporated cities and towns in Maryland. The table below lists the net receipts and amounts distributed to counties (including municipalities within the counties) for fiscal year 1997.

Table 5
Admissions and Amusement Tax Receipts and Distributions
(Dollars in Thousands)

County	Net Receipts	Administrative Expense	Total Distributed
Allegany	\$ 297	\$ 8	\$ 289
Anne Arundel	3,772	102	3,670
Baltimore	5,920	160	5,760
Calvert	43	1	42
Caroline	4	*	4
Carroll	735	19	716
Cecil	245	7	238
Charles	706	19	687
Dorchester	39	1	38
Frederick	737	21	716
Garrett	280	7	273
Harford	433	11	422
Howard	1,279	34	1,245
Kent	89	3	86
Montgomery	3,848	103	3,745
Prince George's	10,323	269	10,054
Queen Anne's	205	6	199
St. Mary's	82	2	80
Somerset	31	1	30
Talbot	92	2	90
Washington	500	13	487
Wicomico	552	17	535
Worcester	1,101	29	1,072
Baltimore City	6,263	165	6,098
Md. Stadium Authority	7,082	190	6,892
Total	\$ 44,658	\$ 1,190	\$ 43,468

* Denotes less than \$500

Detail may not add to total due to rounding.



Unclaimed Property Receipts

The Comptroller's Office is also responsible for administering the Uniform Disposition of Unclaimed Property Act. It is responsible for the care, custody and control of all tangible property presumed abandoned or unclaimed. The value of the property may be claimed by its rightful owner at any time subsequent to this distribution.

The table below presents an analysis of collections and distributions of unclaimed property receipts during fiscal year 1997.

Table 6
Unclaimed Property Receipts and Distributions
(Dollars in Thousands)

Sources of Net Revenues from Miscellaneous Unclaimed Property:	
Life Insurance	\$ 1,223
Other Insurance	2,587
Public Utilities	10
Corporations	8,292
Fiduciaries, Trustees and Other	3,967
Government Agencies	2,224
Banks and Financial Organizations	5,450
Other	124
Total Net Revenues	\$ 23,879
 Allocation of Net Revenues:	
Administrative Expenses	\$ 1,163
Distributed to Maryland Legal Services Corporation	500
Transferred to General Fund	22,216
Total Net Revenues	\$ 23,879

Energy Generation Surcharge

The Comptroller's Office also collects and distributes to the Environmental Trust Fund revenue collected from the energy generation surcharge. During fiscal year 1997, \$7.6 million was collected from this revenue source.

Emergency Telephone System Tax

The Comptroller's Office collects the emergency telephone system tax. This revenue is used to fund local emergency 911 telephone systems. During fiscal year 1997, \$21.3 million was collected from this revenue source.

Telecommunications Access of Maryland

The Comptroller's Office collects the telecommunication access of Maryland tax. This revenue is used to provide telephone service to the hearing and speech impaired citizens of Maryland. During fiscal year 1997, \$4.3 million was collected from this revenue source.

Tire Recycling Fee

The Comptroller's Office is responsible for collecting the tire recycling fee. The proceeds go to a special fund administered by the Department of Environment for scrap tire removal and recycling. During fiscal year 1997, \$5.0 million was collected from this revenue source.

Estate Tax

The Comptroller's Office collects the estate tax from the executors and administrators of Maryland-situs estates. During fiscal year 1997, \$38.1 million was collected from this source and deposited into the general fund.

Savings and Loan Association Franchise Tax

The Comptroller's Office also collects the franchise tax on shares of savings and loan associations. This annual tax is levied at the rate of 0.013% of the total withdrawal value of the deposits that a savings and loan association holds in Maryland. During fiscal year 1997, \$1.54 million was collected from this tax for deposit into the general fund.



Alcohol and Tobacco Taxes

During fiscal year 1997, the Comptroller's Office collected \$155.7 million in alcohol and tobacco tax revenues for the state general fund.

Table 7 presents a two-year comparison of alcohol and tobacco tax revenue.

Table 7
Comparison of Alcohol and Tobacco Tax Revenue
(Dollars in Thousands)

	<u>FY 1997</u>	<u>FY 1996</u>	<u>% Change</u>
Distilled Spirits Tax	\$ 10,975	\$ 10,960	0.14
Wine Tax	3,722	3,631	2.51
Beer Tax	8,680	8,746	(0.75)
Tobacco Tax	129,954	131,853	(1.44)
Other Receipts	<u>2,369</u> *	<u>945</u>	150.69
Total Net Receipts	\$ 155,700	\$ 156,135	(0.28)

() denotes decrease

* This figure represents tobacco license fees collected in prior years and includes \$284,647 from FY 1997.



Motor Fuel Taxes

During fiscal year 1997, the Comptroller's Office collected \$615.6 million in motor fuel tax revenues. Table 8 presents a two-year comparison of motor fuel tax receipts.

Table 8
Motor Fuel Tax Receipts
(Dollars in Thousands)

	<u>FY 1997</u>	<u>FY 1996</u>	<u>% Change</u>
Dealer Receipts	\$ 526,874	\$ 518,914	1.53
Special Fuels Receipts	90,307	87,602	3.09
Sellers of Jet Fuel & Aviation	838	853	(1.76)
Motor Carrier Collections	851	12,692	(93.29)
Miscellaneous Revenues	194	434	(55.30)
Refunds	(10,595)	(13,519)	(21.63)
Net Revenues Subtotal	<u>\$ 608,469</u>	<u>\$ 606,976</u>	0.25
IFTA Collections*	13,450	2,232	
IFTA Refunds*	(6,311)	(1,182)	
Net Revenues	<u>\$ 615,608</u>	<u>\$ 608,026</u>	1.25

() denotes decrease

* Maryland began participation in IFTA on January 1, 1996.

Net motor fuel tax revenues are distributed among the general fund and selected special funds on the basis of a statutory formula. The following table presents the revenues that were distributed to each of the various funds during fiscal year 1997.

Table 9
Distribution of Motor Fuel Tax Revenue
(Dollars in Thousands)

Administrative Expenses	\$	5,244
Waterways Improvement Fund		1,400
Fisheries Research and Development Fund		1,400
General Fund for Chesapeake Bay Related Programs		10,738
Gasoline and Motor Vehicle Revenue Account of the Transportation Trust Fund		596,085
Baltimore City (15%)	\$	89,413
Counties and Municipalities (15%)		89,413
Department of Transportation (70%)		417,259
Transportation Trust Fund		<u>741</u>
Total	\$	615,608

Detail may not add to total due to rounding.

Table 10
Gross Motor Fuel Gallonage & Revenue Statement
For Fiscal Year Ending June 30, 1997

	Actual Gallons	Revenue
Gross Gallons Reported	2,653,257,451	
Less Adjustments:		
Temperature & stock adjustments	(10,444,679)	
Federal exempt purchases	(2,880,787)	
Cost of collection allowance	(24,251,740)	
Less total adjustments	(37,577,206)	
Total taxable motor fuel gallons:	2,615,680,245	
	Actual Gallons	Revenue
Total motor vehicle fuel dealers	2,242,868,328	\$526,874,063**
Total special fuel	372,811,917	90,306,898**
Total gasohol	0	0
Total taxable gallons sold:	2,615,680,245	617,180,961
Sellers of jet fuel and aviation fuel		838,271
Motor carrier collections		
Motor carrier permits	109,200	
Motor carrier registration fees	65,129	
Motor carrier road tax	677,020	
IFTA Taxes - MD based carriers	2,720,148	
IFTA Taxes - From other jurisdictions	10,444,616	
IFTA registration fees	285,693	
Total motor carrier collections		14,301,806
Penalties and interest		193,190
Dishonored check fee		630
Canadian exchange		(30)
Gross revenue - fiscal year 1997		\$632,514,828

** Modified accrual basis of accounting



New Tax Legislation

Income Tax

SB2 (Chapter 320). Creates a credit against the state income tax for income taxes paid in prior years to another state if the taxes are attributable to income from installment sales, and that income is recognized for federal tax purposes in the current year. The credit is the lesser of the tax paid to the other state attributable to the income recognized in a taxable year, or 5% of the income recognized in a taxable year. Effective July 1, 1997.

SB228 (Chapter 228). Creates a credit for employers who hire individuals with disabilities who are certified by the Division of Rehabilitative Services of the Maryland Department of Education. The credits can be claimed against the individual and corporate income taxes, the public service company and financial institution franchise taxes, or the insurance company premium tax. These credits are allowed for individuals hired between October 1, 1997 and January 1, 2001.

SB229 (Chapter 755). Expands eligibility for the existing job creation tax credit program. Eligible businesses that expand or establish a facility in a state priority funding area would qualify for a per-employee credit of up to \$1,500 if they hire at least 25 employees over a two-year period. Under the current program, businesses need to hire at least 60 new employees over a two year period. Additionally, companies engaged in business services are allowed to qualify for the credit if they are located in a state priority funding area. The additional \$500 tax credit allowable for qualified employees that meet the definition of disabled individual is repealed. Effective October 1, 1997 and shall apply to all taxable years beginning after December 31, 1996 and for all employees hired after December 31, 1996.

SB712 (Chapter 623). Authorizes a county or municipality to grant a tax credit against the real and personal property tax of a business that locates or expands within its jurisdiction and meets certain eligibility criteria. If a property tax credit against county or municipal taxes is granted to a business, that business can also claim a state tax credit against the individual or corporate income tax, the insurance premiums tax, the financial institution franchise tax, or the public service company franchise tax. Effective October 1, 1997 and shall apply to all taxable years beginning after December 31, 1996, but before January 1, 2006.

SB746 (Chapter 629). Subjects the gross receipts of local exchange carriers' regulated business to the corporate income tax, but provides all telecommunications companies with a non-refundable income tax credit in the amount of 60% of state, county and municipal property tax paid on real property except for land. Cables, lines, poles and towers of telecommunications companies are reclassified as operating personal property, and revenues from internet access service are made exempt from the public service company franchise tax. Effective July 1, 1997.

HB156 (Chapter 404). Increases the threshold amount of income tax withholding which requires monthly filing from \$400 per quarter to \$700 per quarter. Also, allows an employer to file a withholding return annually rather than quarterly if the total amount of income tax required to be withheld is reasonably expected to be less than \$250. Effective October 1, 1997, and shall apply to all calendar years beginning after December 31, 1997.

HB157 (Chapter 405). Provides that a tax return preparer can be found guilty of a misdemeanor for preparing a false income tax return or claim for refund if acting with fraudulent intent, in addition to acting with intent to evade taxes. Additionally, the penalties (maximum \$5,000 fine and/or a maximum of five years imprisonment) are applicable even if the preparer is preparing his or her own return. Effective July 1, 1997.

HB159 (Chapter 406). Authorizes the comptroller to require third party payors of tax payments on the behalf of employers to make such payments in immediately available funds to the state if the aggregate payments total \$20,000 or more for any period. Any amounts for which a third party payor or agent does not receive timely payment from an employer shall be excluded for purposes of determining whether the total amount of payments to be made by the payor or agent exceeds \$20,000 in the aggregate and may not be required to be paid in immediately available funds. In addition, any interest or penalty assessed due to a third party payor or agent's failure to make payment in immediately available funds shall be paid by the third party payor or agent. Effective July 1, 1997.

HB511 (Chapter 4). Reduces the state income tax by 10%. The reduction will be phased in over five years, by lowering the top rate from 5% to 4.75% in increments of 0.05% per year beginning in tax year

1998, and increasing the personal exemption from \$1,200 to \$2,400. The personal exemption is increased from \$1,200 to \$1,400 in 1998; \$1,600 in 1999; \$1,850 on 2000; \$2,100 in 2001; and \$2,400 in 2002. The bill decouples the piggyback tax from state tax so that the local tax is not affected by these reductions.

HB874 (Chapter 485). Creates a \$3,000 subtraction modification for the individual income tax for qualifying volunteer police officers. To qualify for the modification, an individual must qualify for active status under a length of service award program established by the Police Training Commission in conjunction with the Maryland Association of Counties and the Maryland Municipal League program, or must have maintained active status for at least 25 years under that program. The individual must also have been an active member for at least 72 months during the last 10 calendar years by the end of the tax year. Effective July 1, 1998, and shall apply to all tax years beginning after December 31, 1998.

HB1263 (Chapter 731). Increases the heritage structure rehabilitation tax credit from 10% of qualified rehabilitation expenditures to 15%. Effective October 1, 1997, and shall apply to all taxable years beginning after December 31, 1997.

Sales and Use Tax

SB298 (Chapter 345). Exempts from the sales and use tax certain expense reimbursements incurred while providing taxable detective services. Effective July 1, 1997.

HB511 (Chapter 4). Creates a credit against the sales and use tax for a portion of the tax paid on tangible personal property used in a production activity, and exempts such property from the sales and use tax beginning in fiscal 2001. Effective beginning in fiscal year 1999.

HB1010 (Chapter 509). Exempts from the sales and use tax any sale of magazine subscriptions in a fund raising campaign by an elementary or secondary school, nonprofit parent-teacher organization, or other nonprofit organization within an elementary or secondary school in the state if the net proceeds are used solely for the educational benefit of the school or its students. Effective July 1, 1997.

Alcohol and Tobacco Taxes

SB808 (Chapter 383). Imposes a statewide limitation on the amount of floor space that a retail licensee may devote to the sale of alcoholic beverages. Approval of the local licensing authority and the Comptroller is required for a retail premise in excess

of the limitation; establishes procedures, requirements of issuance, etc. Effective October 1, 1997.

HB202 (Chapter 417). Increases the barrelage limitation placed on Class 7 micro-brewery license holders to 22,500 barrels; authorizes a Class 7 licensee to hold a Class 2 rectifying license under specified conditions; authorizes Class 2 licensees to sell to wholesalers; authorizes Class 7 micro-brewery licensees to contract, brew and store the finished product at another licensed location. Effective June 1, 1997.

HB1006 (Chapter 704). Prohibits licensed cigarette manufacturers or affiliates from having a financial interest in a wholesale business and vice versa; authorizes the manufacturer to act as an agent for a wholesaler under certain circumstances as approved by the comptroller. Effective July 1, 1997.

Motor Fuel Tax

HB160 (Chapter 407). Only entities transporting motor fuel in conveyances having a capacity that exceeds 1,749 gallons, exclusive of the fuel supply tank for their own propulsion, are required to register as petroleum transporters. The comptroller will no longer assign petroleum identification numbers to each vehicle used to transport motor fuel. A letter of registration will be issued to each applicant that meets the requirements. The bill authorizes the comptroller to establish through regulations those petroleum transporters required to file monthly reports. Effective July 1, 1997.

HB167 (Chapter 410). Authorizes the comptroller to inspect or draw samples from the propulsion tank of any special fuel powered motor vehicle used for business purposes during normal business hours or when the vehicle is in operation. A denial of access by any person who operates such a vehicle is prima facie evidence of a violation of the state motor fuel and lubricants law. Effective October 1, 1997.

HB169 (Chapter 411). Motor carriers whose operations are intrastate only and who register (tag) all intrastate commercial motor vehicles with the Motor Vehicle Administration for operation within the state are not required to file a motor carrier tax return or to obtain identification markers for those commercial motor vehicles to operate in the state. The bill also repeals the exemption on a motor carrier tax return for a commercial vehicle used to transport certain migrant agricultural workers, allows motor carriers to obtain an unlimited number of trip permits to operate in the state, and eliminates the 15 day grace period before determining violation of failure to obtain a new identification marker. Effective January 1, 1998.

Estate and Inheritance Tax

HB762 (Chapter 693). Alters the fee structure and procedures for the administration of an estate. Provides an exemption from the inheritance tax for income accrued on probate assets, both gains and losses. Also, redefines small estates to be those with a net, rather than a gross, value of \$20,000 or less. Additionally, real property of estates that are not assessed based on use, no longer must be appraised. Rather, the full cash value as determined by the Department of Assessments and Taxation can be used. Effective for estates of persons dying on or after January 1, 1998.

HB1396 (Chapter 546). Prohibits an inheritance tax refund claim from being filed after three years from the date of the event that caused the refund. Effective for estates of persons dying on or after July 1, 1997.

Unclaimed Property

HB1276 (Chapter 732). Provides that credits in connection with the sale of consumer goods to a wholesaler or retailer in the ordinary course of business are not personal property subject to the Maryland Uniform Disposition of Abandoned Property Act. Effective October 1, 1997.



Taxpayer Assistance Information

Admissions and Amusement Tax

Contact: Admissions and Amusement Tax
Revenue Administration Division
301 West Preston Street
Baltimore, Maryland 21201-2383

Or Call: In the Baltimore area410-767-1300
Toll-free in Maryland 1-800-492-1751
FAX410-767-1571

Alcohol and Tobacco Tax

Contact: Alcohol and Tobacco Tax Unit
Room 310
P.O. Box 2999
Louis L. Goldstein Treasury Building
Annapolis, Maryland 21404-2999

Or Call: 410-974-3314
Toll-free in Maryland 1-888-784-0145
FAX410-974-3201

Death Taxes

Contact: Office of the Comptroller
Revenue Administration Division
Estate Tax Unit
P.O. Box 828
Annapolis, Maryland 21404-0828

Or Call: 410-974-3850
Toll-free in Maryland 1-800-MD-TAXES
FAX410-974-3456

Income Tax

Contact: Revenue Administration Division
Revenue Administration Center
Annapolis, Maryland 21411-0001

Or Call: Central Maryland410-974-3981
or from elsewhere in Maryland 1-800-MD-TAXES
Tax Forms410-974-3951
FAX410-974-5808
e-mail - taxhelp@comp.state.md.us

Motor Fuel Tax

Contact: Motor Fuel Tax Unit
Room 317
P.O. Box 1751
Louis L. Goldstein Treasury Building
Annapolis, Maryland 21404-1751

Or Call: 410-974-3126
Toll-free in Maryland (Licensing) 1-888-784-0142
(IFTA Inquiries) 1-888-784-0141
FAX410-974-3129
e-mail - mft@comp.state.md.us

New Business Information

Contact: Central Registration Unit
Room 404
301 West Preston Street
Baltimore, Maryland 21201-2383

Or Call: 410-767-1313
Toll-free in Maryland 1-800-MD-TAXES
FAX 410-767-1571

Sales and Use Tax

Contact: Compliance Division
Taxpayer Service Section
301 West Preston Street
Baltimore, Maryland 21201-2383

Or Call: In the Baltimore area 410-767-1300
Toll-free in Maryland 1-800-492-1751
FAX (410) 767-1571

Tax Clearance Certificates

Contact: General Accounting Division
Room 200
P.O.Box 746
Louis L. Goldstein Treasury Building
Annapolis, Maryland 21404-0746

Or Call: 410-974-3813
Toll-free in Maryland 1-888-784-0144
FAX 410-974-3979

Tire Recycling Fee

Contact: Revenue Administration Division
Revenue Administration Center
Annapolis, Maryland 21411-0001

Or Call: 410-974-3981
Toll-free in Maryland 1-800-492-1751
FAX 410-974-5808
e-mail - taxhelp@comp.state.md.us

Unclaimed Property

Contact: Unclaimed Property Section
Compliance Division
301 West Preston Street
Baltimore, Maryland 21201-2385

Or Call: In the Baltimore area 410-767-1700
Toll-free from elsewhere 1-800-782-7383
FAX 410-333-7150
e-mail - unclaim@comp.state.md.us

Utility Surcharges (Energy Generation Surcharge, Emergency Telephone System Tax, Telecommunications Access of Maryland)

Contact: Unclaimed Property Section
Compliance Division
301 West Preston Street
Baltimore, Maryland 21201-2385

Or Call: In the Baltimore area 410-767-1700
Toll-free from elsewhere 1-800-782-7383
FAX 410-333-7150



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Comptroller of the Treasury
State of Maryland