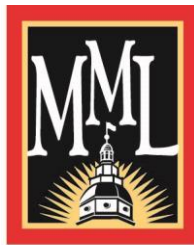


**State Shared and
State Administered
Local Revenues**

*A summary of state shared revenues
and state administered local revenues
received by Maryland municipalities*



THE
MARYLAND
MUNICIPAL
LEAGUE

2020

MML's Mission:

Strengthen and support
municipal government through
advocacy and the development of
effective leadership.

Table of Contents

STATE SHARED REVENUES

Business License Fees 5

Financial Institutions 6

Highway User Revenues..... 7

State Aid for Police Protection 9

STATE ADMINISTERED LOCAL REVENUES

Admissions and Amusement Tax 10

Income Tax 12

STATE SHARED REVENUES AND STATE ADMINISTERED
LOCAL REVENUES FIVE-YEAR SUMMARY DATA 13

The MARYLAND MUNICIPAL LEAGUE is an association of cities and towns

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Preface

The Maryland Municipal League has been actively involved in influencing the development of state shared revenues throughout our 78 years. In fact, the first president of the League stated that the need to obtain an equitable return of revenues from the State was one of the prime motivating forces in founding the League in 1936.

This report is a summary of each of the state shared revenues which Maryland municipalities currently receive. Information on state administered local revenues – Income and Admissions and Amusement Taxes – and hold-harmless information on the former Financial Institutions shared revenue is also included. For each of the revenues there is a description of how the funds are allocated, the method and frequency of distribution, conditions for eligibility, and the name and contact information of the agency to contact if questions arise regarding administration of the program. The report also indicates those revenues, which may be used for general fund purposes as well as those which must be dedicated for special purposes. At the end of the report is a chart showing the total distribution to municipalities for each of the state shared revenues and state administered local revenues over the past five fiscal years.

Both elected and administrative officials may find this report useful in better understanding the nature of the revenues that they receive. Municipal officials may also wish to contact the listed agencies in preparing budget estimates for these revenues.

State Shared Revenues

BUSINESS LICENSE FEES (Traders' Licenses)

- STATUTE CITATION:** Business Regulation Article, Sections 17-206, 17-305 and 17-1804
- SOURCE:** Except for where enumerated in §17-206(a), receipts from licenses issued for any pinball or console machine, billiard or pool table, junk dealer, promoter of musical festivals, chain store, vending machine, garage, juke box, restaurant or eating place, soda water fountain, hawker, peddler, transient vendor, entertainment event, construction firm, wholesale dealer in farm machinery, business in cleaning, dyeing, pressing or laundering, storage warehouse, trader, plumber and gas fitter, or for the sale of cigarettes or magazines.
- FORMULA:** The State sets and collects (through the Clerks of the Court) the fees for the licensed activities and returns them to the local governments in their entirety less specified administrative fees. All licenses expire April 30th and must be renewed annually. Three percent of the fees are paid into the State general fund (to defray the collection costs of the State License Bureau of the Comptroller's Office) and 5% of the fees are retained by the Clerks of the Court (3% in Montgomery County). The remaining fees (92%, in Montgomery County 94%) are returned to the municipality of origin. Fees originating from unincorporated areas are paid to the counties.
- DISTRIBUTION:** The Clerks of the Circuit Court make payments to the counties and municipalities several times throughout the year, with the bulk of the revenues distributed in May.
- CONDITIONS:** The municipality must have levied a tax of at least one dollar per capita in its current fiscal year, and have filed a copy of a State form certifying that levy with the Comptroller. Any money distributable to a municipality which fails to make the required tax levy or certification is paid into the general fund of the State.
- CONTACT:** Clerk of the Circuit Court.

FINANCIAL INSTITUTIONS SHARES TAX (Bank Shares Tax)

- STATUTE CITATION:** Local Government Article, Section 16-112
- SOURCE:** County Revenues
- FORMULA:** Prior to July 1, 1968, a local property tax of up to \$1.00 per one hundred dollars of valuation was imposed on the shares of stock of banks and finance corporations doing business in the State. When a financial institution subject to this tax was located in a municipality, the proceeds of the tax were divided between the county and the municipality. This tax was discontinued as of July 1, 1968. The State compensated the counties for their loss in revenues. The counties, in turn, were required to make an annual grant to each municipality equal to the amount they received through the tax in the 1967-68 fiscal year.
- DISTRIBUTION:** An annual grant by the county government.
- CONDITIONS:** In order to be eligible, a municipality must have received revenues during fiscal year 1968 under the repealed bank shares tax.
- CONTACT:** County Government.

HIGHWAY USER REVENUES

STATUTE CITATION: Transportation Article, Sections 8-401 through 8-413 and Sections 8-504 and 12-118(b)(2)

SOURCE: Currently 0.4% of funds certified to the Gasoline and Motor Vehicle Revenue Account in the Transportation Trust Fund, including the gasoline tax, vehicle titling tax, vehicle rentals sales and use tax, and specified vehicle registration fees, are allocated to highway user revenues for municipalities, counties, and Baltimore City.

FORMULA: Since highway user revenues (HURs) were initially cut in 2009, the Maryland General Assembly rewrote the HURs distribution formula; dropping municipal share from 2.5% to as low as 0.1% in FY 2011. The formulas have remained constant since FY 2014 and in addition to the municipal share of 0.4%, Baltimore City receives 7.7% and the counties 1.5%.

HIGHWAY USER REVENUES (cont'd)

For FY 2017-2019, the total amount of HUR allocated to municipalities from the formula has been around \$7 million per year. However, over the same period, municipalities have received one-year grants to supplement the HUR formula disbursements. The grants have been included in the State operating budget and must be spent in the same manner as HUR formula money. The exact grant amount was as follows:

- FY 2017: \$19.0 million
- FY 2018: \$20.1 million
- FY 2019: \$22.4 million

DISTRIBUTION: Allocations to individual municipalities are determined by apportioning half of the fund on the basis of each municipality's proportionate road mileage compared to the municipal total and the remaining half on the basis of proportionate automobile registrations within each municipality. The Secretary of Transportation may reduce local appropriations by the amount necessary to correct individual instances of noncompliance concerning State standards of uniformity for traffic control devices.

Distributions are made monthly to municipalities by the State Comptroller.

CONDITIONS: On or before December 31 of each year, each municipality must complete a form officially requesting its share of Highway User Revenues. In addition, a report must be completed indicating any changes within the past year in the amount of road mileage within the municipality. Both the

form and the report must be filed with the Bureau of Highway Statistics of the State Highway Administration.

A new reporting requirement was enacted in 2015. Prior to September 30 of each year, municipalities must complete and return a form that states on what projects HUR money was spent in the prior fiscal year.

ELIGIBLE USES:

Highway user revenues may only be used to pay or finance:

1. The cost of transportation facilities, including airport facilities, highway facilities, port facilities, rail facilities, and transit facilities.
2. The construction, reconstruction, or maintenance of roads or streets.
3. Debt service on bonds or other evidences of obligation lawfully issued by or for the municipality for the construction, reconstruction, or maintenance of roads or streets. Specifications for the construction or reconstruction of streets or roads must be approved in advance by the State Highway Administration.
4. The establishment and maintenance of footpaths, bridle paths or horse trails, and bicycle trails.
5. The matching of the federal share of highway aid if the funds are not otherwise available and the approval of the State Highway Administration, the State Treasurer, and the State Comptroller has been granted.

CONTACT:

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Chief Cash Receipts Section
Maryland Department of Transportation
State Highway Administration
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STATE AID FOR POLICE PROTECTION

- STATUTE CITATION:** Article 41, Sections 4-401 through 4-406
- SOURCE:** State Grant
- FORMULA:** The State allocates funds to county areas (Baltimore City receives \$.50 per capita) based on factors of population density, net taxable income, assessable base, and per capita police expenditures. The funds are divided between a county and its municipalities on the basis of relative police expenditures for the immediately preceding fiscal year. If a municipality accounts for 25% of the police expenditures for a county, the next fiscal year it will receive 25% of the police aid grant for that county.
- In addition to the regular police aid grant described above, counties and municipalities receive a supplemental grant each year of \$2.50 per capita (population estimates are provided annually by the State Department of Health and Mental Hygiene).
- Municipal governments also receive in police aid an additional \$1,950 per full-time sworn police officer based on the number of police officers employed in the immediately preceding fiscal year.
- DISTRIBUTION:** Payments are made by the State Comptroller to counties, Baltimore City, and qualifying municipalities in approximately equal amounts each quarter.
- CONDITIONS:** A municipality must have annual expenditures for police protection that exceed \$5,000 and must employ at least one qualified full-time police officer, as determined by the Superintendent of the Maryland State Police. If a municipality fails to meet the minimum standards of police qualifications for two successive years, the municipality forfeits its police aid grant.
- CONTACT:** Ms. Anna Tisari
State Aid for Police Protection Program
Governor's Office of Crime Control & Prevention
Telephone: 410-697-9332
Email: anna.tisari@maryland.gov

State Administered Local Revenues

ADMISSIONS AND AMUSEMENT TAX

STATUTE CITATION: Tax General Article, Sections 4-102 through 4-105; Sections 2-201 and 2-202

SOURCE: Municipal tax on revenue derived from entertainment and amusement activities within the municipal boundaries.

FORMULA: Municipalities may levy a tax on the gross receipts of a wide variety of entertainment and amusement activities which take place within their jurisdiction. The taxable activities generally include:

1. Use of a game of entertainment.
2. Amounts charged for admission within an enclosure in addition to the initial charge for admission.
3. Amounts charged for the use or rental of sporting or recreational equipment or recreational facility.
4. Amounts charged for refreshment, service or merchandise at any hotel room, restaurant, hall, nightclub or other similar place where dancing privileges, live music or other entertainment is provided for the patrons.

The Comptroller has divided the activities into 24 categories, including: athletic events, concerts, nightclubs, and use of coin-operated amusement machines. The gross receipts from these activities may be taxed at a rate of up to 10%. Each category may be taxed at a different rate. State authorized exemptions currently include: bowling alleys, boxing and wrestling matches, certain bingo events, charter fishing, concerts, a variety of charitable, religious, and non-profit activities, and arts and entertainment enterprises.

If the activity is also subject to the State sales tax or use tax, the combined total tax on the gross receipts may not exceed 10%. Since the State sales tax is 6%, this means that the local admissions and amusement tax may not exceed 4% on such activities as the rental of boats, golf carts, horses, skates, skis, or the sale of refreshments and merchandise when offered in connection with live entertainment.

ADMISSIONS AND AMUSEMENT TAX

DISTRIBUTION:

Each person or firm subject to the tax is required to pay its respective taxes to the State Comptroller by the 10th of each month. The Comptroller deducts and retains an amount of revenue sufficient to cover the cost of administering the program. The balance of the taxes collected is paid back to the respective governments from which the revenues originated within 20 days of the end of each calendar quarter.

CONDITIONS:

1. The proper local official must notify the Comptroller at least 60 days in advance of any change in the rate of taxation of on activity.
2. If a municipality levies an amusement tax, the county may not levy an amusement tax on activities within the municipal boundaries.

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INCOME TAX

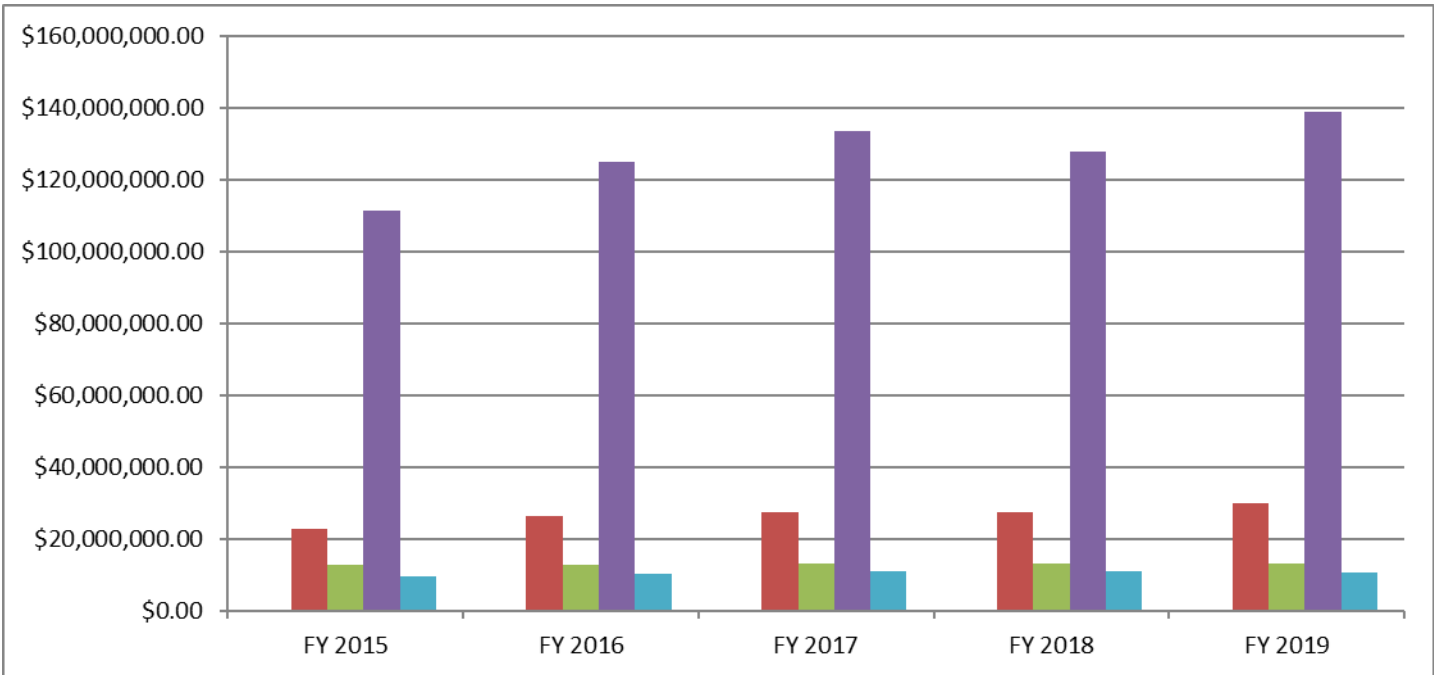
STATUTE CITATION:	Tax General Article, Section 2-607
SOURCE:	Local Income Tax
FORMULA:	<p>The Comptroller is required to annually certify the amount of the State income tax liability of the residents of each municipality and special taxing district and to return the greater of either 17% of the county income tax liability to the respective governments or .37% of the State taxable income of municipal or taxing district residents.</p> <p>These payments are deducted from the county share of the local income tax. Each county and Baltimore City are required to levy a local income tax equivalent to 1% to 3.20% of the State taxable income of their residents.</p> <p>If the county tax rate falls below 2.6% of the Maryland taxable income, the amount returned to a municipality will be determined by multiplying the Maryland taxable income by a factor obtained by dividing 2.6% by the county income tax rate.</p>
DISTRIBUTION:	The State Comptroller pays each municipality and special taxing district its share of the local income tax quarterly. The Comptroller also makes other payments throughout the year to account for delinquent tax returns and finalization of the individual accounts at the end of the fiscal year.
CONDITIONS:	None
CONTACT:	Debora Gorman, Esq. Comptroller of the Treasury Revenue Administration Division Telephone: (410) 260-7451 E-mail: dgorman@marylandtaxes.gov

**Five-Year Summary
State Shared Revenues and State Administered Local Revenues
Received by Maryland Municipalities***

Revenue	FY-2015	FY-2016	FY-2017	FY-2018	FY-2019
Admissions and Amusements Tax	\$9,621,173	\$10,331,063	\$10,843,453	\$11,018,101	\$10,802,334
Highway User Revenues	\$6,944,432 \$22,944,432 (w/grant)	\$7,387,666 \$26,387,666 (w/grant)	\$7,212,708 \$26,212,708 (w/grant)	\$7,312,564 \$27,422,115 (w/grant)	\$7,422,192 \$29,902,481 (w/grant)
Income Tax	\$111,148,523	\$124,823,646	\$133,283,682	\$127,840,277	\$138,878,361
State Aid for Police Protection	\$12,700,000	\$12,700,000	\$13,053,432	\$13,053,432	\$13,183,966

* Data does not include Baltimore City.

Municipal State Shared and State Administered Local Revenues FY 2015-2019



- Highway User Revenues
- Police Protection
- Income Tax
- Admissions and Amusements

The Maryland Municipal League

The Maryland Municipal League represents 157 municipal governments and two special taxing districts throughout the State. A voluntary, nonprofit, nonpartisan association controlled and maintained by city and town governments, the League works to strengthen the role and capacity of municipal government through Maryland Municipal Policy, research, legislation, technical assistance, training, the dissemination of information and counseling to its members. Through its membership in the National League of Cities, MML can offer legislative representation in Washington, urban research programs, and a national municipal government information exchange. MML was founded in 1936.

The League is the only statewide organization in Maryland composed solely of municipal officials and devoted to the promotion of all branches of municipal administration.

Major policies are determined by vote of the delegates at the annual convention and implemented by a governing body elected from among the municipal delegates. A full-time executive director and twelve-member staff carry out the policies and service programs. By cooperating through the League, the cities provide for themselves a research program and a legislative voice which would be impossible for them singularly.

The primary objectives of the League are:

- **LEGISLATION** – In addition to sponsoring statewide municipal legislation, this service includes the study of all bills affecting municipalities; the preparation, publication and distribution of bulletins to members summarizing such bills; and the presentation of the municipal viewpoint to the Legislature.
- **INTERGOVERNMENTAL RELATIONS** – The League, through its full-time staff members, acts as liaison between municipal governments and county, state and federal governments. A major objective is the promotion of cooperation and coordination among the various governmental units.
- **TECHNICAL ASSISTANCE AND RESEARCH** – Through its information and inquiry service the League provides technical assistance on all matters of municipal concern such as charter revision, ordinance development, federal and state programs, personnel administration and municipal management. The League also conducts training sessions for newly elected officials and other municipal personnel on a wide variety of functional subjects.
- **INSURANCE AND BENEFIT PROGRAMS** – Through pooling and service negotiation, League members participate in a variety of member programs at reduced cost. Services include pooled liability insurance, group health insurance, workmen's compensation insurance, and unemployment compensation assistance.
- **ANNUAL MEETINGS** – Officials of member cities meet regularly at the annual convention and legislative conference, as well as at regional meetings, to discuss and exchange ideas, experiences and information. In addition, special meetings are held throughout the State.



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