GO Item 1
September 22, 2020
Worksession

M E M O R A N D U M

September 17, 2020

TO: Government Operations & Fiscal Policy Committee

FROM: Christine Wellons, Legislative Attorney

SUBJECT: Expedited Bill 40-20, Licensing and Regulations – Uniform Trader's License Fee

PURPOSE: Worksession – recommendation expected

Expedited Bill 40-20, Licensing and Regulations – Uniform Trader's License Fee, sponsored by Lead Sponsors Councilmembers Glass and Friedson and Co-Sponsors Councilmembers Navarro, Rice and Albornoz, and Council President Katz, was introduced on September 15, 2020.[1] A public hearing is tentatively scheduled for this afternoon, September 22, at 1:30 p.m.

Bill 40-20 would select a uniform trader's license fee under State law. The license fee would be $15.

BACKGROUND

In 2019, State law was amended to permit a County to select a uniform trader's license fee. (Chapters 569/570 of 2019). The trader's license is required by the State to operate certain retail stores and exhibitors. The fee is collected by the Circuit Court.

Under current law, the amount of the trader's fee varies between $15 and $800, depending upon the value of the trader's stock-in-trade. (Md. Code Ann., Bus. Reg. § 17-1808). The State and the County share in the fee revenues. (§ 17-206).

Under the bill, the fee would be $15 for all traders, and the State would keep all revenues from the fee. (Bus. Reg. §§ 17, 206, 17-1808).

BILL SPECIFICS

[1] #Trader'sLicense

Under the bill, the County would select a uniform license fee for a trader's license under Section 17-1807.1 of the Business Regulation Article of the Maryland Code. Pursuant to State law, the uniform trader's license in the County would be $15.

The bill would require the Director of Finance to communicate the County's selection to the State Comptroller and to the State Department of Assessments and Taxation on or before October 1, 2020.

The bill further specifies that, although the selection of a uniform fee is "irrevocable" under State law, the County may revoke the selection if State law changes.

ISSUES

The GO Committee might wish to discuss the following issues.

1. Fiscal Impact

Under current law, revenues from the trader's fee are generally split between local government (92%) and the state general fund (8%). If expedited Bill 40-20 is enacted, however, all trader's fee revenues in the County will accrue to the state, not to the County.

In FY2018, the state issued 7,010 trader's licenses in the County. The County's share of revenues from those fees was $724,259. The state's share was $62,142. Under the bill, with a flat license fee of $15, the County's revenues would be $0, and the state's revenues would be approximately $105,150.

2. Economic Impact

According to the fiscal note to the state enabling law, "Small businesses with significant stock-in-trade (*i.e.*, inventory) in local jurisdictions that choose to adopt the uniform fees…benefit from reduced license fees. All small businesses in those local jurisdictions benefit from reduced complexity associated with the tiered trader's license structure."

Under current law, an applicant for a trader's license must pay an annual license fee to the clerk of the court ranging from $15 to $800, based on the value of the applicant's stock-in-trade.

NEXT STEP: Determine whether to recommend approval of Expedited Bill 40-20.

This packet contains:	Circle #
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Expedited Bill No. 40-20
Concerning: Licensing and Regulations – Uniform Trader's License Fee
Revised: 09/21/2020 Draft No. 1
Introduced: September 15, 2020
Expires: March 15, 2022
Enacted:
Executive:
Effective:
Sunset Date: None
Ch.____, Laws of Mont. Co.

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsors: Councilmembers Glass and Friedson
Co-Sponsors: Councilmembers Navarro, Rice and Albornoz and Council President Katz

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AN EXPEDITED ACT to:

(1) select a uniform trader's license fee under State law; and
(2) generally amend the law regarding licensing and license fees.

By adding
Montgomery County Code
Chapter 30, Licensing and Regulations Generally
Section 30-13

Boldface	*Heading or a defined term.*
Underlining	*Added to existing law by original bill.*
[Single boldface brackets**]**	*Deleted from existing law by original bill.*
Double underlining	*Added by amendment.*
[[Double boldface brackets**]]**	*Deleted from existing law or the bill by amendment.*
* * *	*Existing law unaffected by bill.*

The County Council for Montgomery County, Maryland, approves the following act:

Sec 1. Section 30-13 is added as follows:

30-13. Uniform Trader's License Fee.

(a) The County selects a uniform license fee for a trader's license under Section 17-1807.1 of the Business Regulation Article of the Maryland Code.

(b) The trader's license in the County must be $15 under Section 17-1808(b) of the Business Regulation Article of the Maryland Code.

Sec. 2. Expedited Effective Date. The Council declares that this legislation is necessary for the immediate protection of the public interest. This Act takes effect on the date on which it becomes law.

Sec. 3. Submission of Selection. On or before October 1, 2020, the Director of Finance or the Director's designee must notify the State, using a form provided by the State Comptroller and the State Department of Assessments and Taxation, of the County's selection of a uniform trader's license fee under this Act.

Sec. 4. Revocability of Selection. Under Section 17-1801.1 of the Business Regulation Article of the Maryland Code, the selection of a uniform $15 trader's license fee is "irrevocable". However, the County reserves its right to revoke its selection if the State amends Sections 17-1807.1 or Section 17-1808(b) of the Business Regulation Article, including if the State raises the license fee above $15.

LEGISLATIVE REQUEST REPORT

Expedited Bill 40-20
Licensing and Regulations – Uniform Trader's License Fee

DESCRIPTION:	Expedited Bill 40-20 would select a uniform trader's license fee under State law, and generally amend the law regarding licensing and license fees.
PROBLEM:	State law was amended in 2019 to permit a county to select a "uniform" trader's license fee. The trader's license fee is issued by the state through the Circuit Court.
GOALS AND OBJECTIVES:	Adopt the uniform licence fee so that a business must pay a flat fee of $15 to receive a trader's license.
COORDINATION:	Finance Department
FISCAL IMPACT:	Office of Management and Budget
ECONOMIC IMPACT:	Office of Legislative Oversight
EVALUATION:	
EXPERIENCE ELSEWHERE:	N/A
SOURCE OF INFORMATION:	Christine Wellons, Legislative Attorney
APPLICATION WITHIN MUNICIPALITIES:	N/A
PENALTIES:	N/A

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Chapter 569

(House Bill 34)

AN ACT concerning

Business Regulation – Trader's Licenses – License Fees

FOR the purpose of requiring a certain clerk to account for and pay into the General Fund of the State the entire fee received for a trader's license issued in a certain county or municipal corporation; exempting a visually handicapped applicant who meets certain standards and Blind Industries and Services of Maryland from a certain trader's license fee; requiring the clerk of a certain county or municipal corporation, before issuing a trader's license, to ~~verify~~ review certain information submitted by an applicant on an application for a trader's license; authorizing the governing body of a county or municipal corporation to select a uniform license fee for a trader's license by submitting its selection on a certain form provided by the Comptroller and the State Department of Assessments and Taxation on or before a certain date; providing that a certain selection regarding the basis for assessing a trader's license fee by the governing body of a county or municipal corporation is irrevocable; establishing the amount of a uniform license fee for certain jurisdictions; prohibiting a certain certification from being required under certain circumstances; requiring the State Department of Assessments and Taxation to adopt certain regulations on the granting of exemptions from a certain inventory reporting requirement; making certain conforming changes; and generally relating to license fees for a trader's license.

BY repealing and reenacting, with amendments,
Article – Business Regulation
Section 17–206, 17–302(c), 17–1806 through 17–1808, and 17–1813
Annotated Code of Maryland
(2015 Replacement Volume and 2018 Supplement)

BY repealing and reenacting, without amendments,
Article – Business Regulation
Section 17–1804(a)
Annotated Code of Maryland
(2015 Replacement Volume and 2018 Supplement)

BY adding to
Article – Business Regulation
Section 17–1807.1
Annotated Code of Maryland
(2015 Replacement Volume and 2018 Supplement)

BY repealing and reenacting, with amendments,
Article – Tax – Property

(4)

Section 11–101
Annotated Code of Maryland
(2012 Replacement Volume and 2018 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article – Business Regulation

17–206.

(a) This section does not apply to:

(1) a console machine license, pinball machine license, Wicomico County pinball machine license, or Garrett County amusement device license issued under Subtitle 4 of this title;

(2) a Calvert County peddler license or magazine seller license issued under Subtitle 9 of this title;

(3) a junk dealer or scrap metal processor license, agent license, or Calvert County junk dealer or scrap metal processor license issued under Subtitle 10 of this title;

(4) a license to keep a storage warehouse issued under Subtitle 12 of this title;

(5) a State juke box license or Harford County juke box license issued under Subtitle 13 of this title;

(6) a promoter license issued under Subtitle 14 of this title;

(7) a vending machine license issued under Subtitle 19 of this title; or

(8) a license to do business as a trading stamp issuer issued under Subtitle 20 of this title.

(b) Except as provided in **[**subsection**]** **SUBSECTIONS** (a) **AND (C)** of this section or otherwise in this title, each clerk shall account for and distribute the fees received for licenses issued under this title as follows:

(1) the clerk shall pay into the General Fund of the State:

(i) the percentage of license fees authorized by law as a fee of the office;

(ii) the additional issuance fee now allowed; and

(iii) 3% of license fees to defray the expenses of the State License Bureau; and

(2) except as provided in subsection **[**(c)**] (D)** of this section, the clerk shall distribute the remaining license fees:

(i) to the municipal corporation where the licensed business or activity is located, if the licensed business or activity is located in a municipal corporation; or

(ii) to the county where the licensed business or activity is located, if the licensed business or activity is not located in a municipal corporation.

(C) A CLERK SHALL ACCOUNT FOR AND PAY INTO THE GENERAL FUND OF THE STATE THE ENTIRE FEE RECEIVED FOR A TRADER'S LICENSE ISSUED IN A COUNTY OR MUNICIPAL CORPORATION THAT SELECTS A UNIFORM LICENSE FEE UNDER § 17–1807.1 OF THIS TITLE.

[(c)**] (D)** (1) For purposes of this subsection, per capita revenue shall be computed by using the population figures from the later of:

(i) the most recent federal census; or

(ii) an official local census.

(2) The clerk may not distribute license fees to a county or municipal corporation unless the county or municipal corporation:

(i) levies, in its current fiscal year, taxes sufficient to collect at least $1.00 per capita in revenue; and

(ii) certifies to the Comptroller a copy of the levy.

(3) The clerk shall pay into the General Fund of the State any money that is not distributed at the end of the fiscal year of a county or municipal corporation because the county or municipal corporation failed to make the levy and certification required by paragraph (2) of this subsection.

17–302.

(c) (1) In this subsection, "county treasurer" includes the Director of Finance or other chief fiscal officer of a county that does not have a county treasurer.

(2) This subsection does not apply to a domestic corporation that has shares subject to taxation under State law.

(3) **[**An**]** **EXCEPT AS OTHERWISE PROVIDED IN THIS TITLE, AN** applicant for a license shall submit to the clerk:

(i) a certification by the State Department of Assessments and Taxation of the value of the goods, fixtures, and stock in trade in each county where the business is located for the applicant's business for the valuation year;

(ii) a certification by the county treasurer of that county that there are no unpaid taxes due to the State or county on the goods, fixtures, or stock in trade; and

(iii) a certification by the municipal corporation, if any, where the business is located that there are no unpaid taxes due to the municipal corporation on the goods, fixtures, or stock in trade.

(4) In this subsection, the valuation year:

(i) in Washington County, is the fiscal year that includes May 1 of the calendar year when the license is issued; or

(ii) in each other county, is the last calendar year before the year for which the license is sought.

17–1804.

(a) Except as otherwise provided in this subtitle, a person must have a trader's license whenever the person:

(1) does business as a trader in the State; or

(2) does business as an exhibitor in the State.

17–1806.

(a) An applicant for a trader's license shall state in the application the place where the applicant will do business as a trader.

(b) (1) **[**This subsection does not apply if the average value of the applicant's stock in trade exceeds $10,000.

(2)**]** An applicant for a trader's license may apply under this subsection if the applicant has a defect in vision such that:

(i) visual acuity in the applicant's better eye does not exceed 20/140 with correcting lenses; or

(ii) the widest diameter of the applicant's visual field subtends an angle not exceeding 20 degrees.

[(3)**] (2)** An applicant for a trader's license under this subsection shall submit to the clerk:

(i) a signed certificate, from a licensed physician who specializes in treatment of the eye, that the applicant's vision meets the standard of paragraph **[**(2)**] (1)** of this subsection; and

(ii) an affidavit that the applicant is the owner of the place of business listed in the application.

[(4)**] (3)** Blind Industries also may apply for a trader's license under this subsection for a business that it operates, if Blind Industries submits to the clerk an affidavit that:

(i) Blind Industries operates the business listed in the application; and

(ii) the manager of the business has vision that meets the standard of paragraph **[**(2)**] (1)** of this subsection.

17–1807.

(a) **(1)** In Baltimore County, the clerk may not issue a trader's license for the first time without the approval of the zoning commissioner.

[(b)**] (2)** In an area of Cecil County where the Cecil County Office of Planning and Zoning has jurisdiction, the clerk may not issue a trader's license for the first time until the applicant has obtained zoning approval from that office.

[(c) (1)**] (3) (I)** In Howard County, the clerk may not issue a trader's license for the first time without the approval of the Director of the Office of Planning and Zoning.

[(2)**] (II)** Within 3 working days after an application for a trader's license is submitted for review to the Director of the Office of Planning and Zoning, the Director shall notify the clerk of the approval or disapproval of the application.

(B) (1) THIS SUBSECTION DOES NOT APPLY TO A COUNTY OR MUNICIPAL CORPORATION THAT SELECTS A UNIFORM LICENSE FEE UNDER § 17–1807.1 OF THIS SUBTITLE.

(2) A CLERK MAY NOT ISSUE A TRADER'S LICENSE UNTIL THE CLERK ~~VERIFIES~~ REVIEWS THE ACCURACY OF THE STATEMENT MADE BY THE APPLICANT ON THE APPLICATION FOR A TRADER'S LICENSE UNDER § 17–1806 OF THIS SUBTITLE REGARDING THE PLACE WHERE THE APPLICANT WILL DO BUSINESS AS A TRADER.

17–1807.1.

(A) ON OR BEFORE OCTOBER 1 EACH YEAR, THE GOVERNING BODY OF A COUNTY OR MUNICIPAL CORPORATION MAY SELECT A UNIFORM LICENSE FEE FOR A TRADER'S LICENSE UNDER § 17–1808(B) OF THIS SUBTITLE BY SUBMITTING ITS SELECTION ON A FORM PROVIDED BY THE COMPTROLLER AND THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION.

(B) A SELECTION BY THE GOVERNING BODY OF A COUNTY OR MUNICIPAL CORPORATION UNDER THIS SECTION IS IRREVOCABLE.

17–1808.

(a) (1) Except as otherwise provided in this section, an applicant for a trader's license shall pay to the clerk a license fee **[**based on the value of the applicant's stock–in–trade**]**.

(2) IF THE APPLICANT'S BUSINESS IS LOCATED IN A COUNTY OR MUNICIPAL CORPORATION THAT SELECTS A UNIFORM LICENSE FEE UNDER § 17–1807.1 OF THIS SUBTITLE, THE APPLICANT:

(I) SHALL PAY THE LICENSE FEE SET FORTH IN SUBSECTION (B) OF THIS SECTION; AND

(II) IF THE COUNTY OR MUNICIPAL CORPORATION IN WHICH THE BUSINESS IS LOCATED PROVIDES A FULL TAX EXEMPTION FOR COMMERCIAL INVENTORY, MAY NOT BE REQUIRED TO SUBMIT A CERTIFICATION BY THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION OF THE VALUE OF THE GOODS, FIXTURES, AND STOCK–IN–TRADE UNDER § 17–302 OF THIS TITLE.

(3) IF THE APPLICANT'S BUSINESS IS LOCATED IN A COUNTY OR MUNICIPAL CORPORATION WITH A LICENSE FEE BASED ON THE VALUE OF THE APPLICANT'S STOCK–IN–TRADE, THE APPLICANT SHALL PAY THE LICENSE FEE UNDER SUBSECTION (C) OF THIS SECTION.

(B) (1) THIS SUBSECTION APPLIES ONLY TO A COUNTY OR MUNICIPAL CORPORATION THAT SELECTS A UNIFORM LICENSE FEE FOR A TRADER'S LICENSE UNDER § 17–1807.1 OF THIS SUBTITLE.

(2) IN A COUNTY OTHER THAN BALTIMORE CITY OR BALTIMORE COUNTY, THE LICENSE FEE IS $15.

(3) IN BALTIMORE CITY OR BALTIMORE COUNTY, THE LICENSE FEE IS $20.

(C) (1) THIS SUBSECTION APPLIES ONLY TO A COUNTY OR MUNICIPAL CORPORATION WITH A LICENSE FEE BASED ON THE VALUE OF THE APPLICANT'S STOCK–IN–TRADE.

(2) In a county other than Baltimore City or Baltimore County, the license fee is:

(i) $15, if the value of the applicant's stock–in–trade is not more than $1,000;

(ii) $18, if the value is more than $1,000 but not more than $1,500;

(iii) $20, if the value is more than $1,500 but not more than $2,500;

(iv) $25, if the value is more than $2,500 but not more than $4,000;

(v) $30, if the value is more than $4,000 but not more than $6,000;

(vi) $40, if the value is more than $6,000 but not more than $8,000;

(vii) $50, if the value is more than $8,000 but not more than $10,000;

(viii) $65, if the value is more than $10,000 but not more than $15,000;

(ix) $80, if the value is more than $15,000 but not more than $20,000;

(x) $100, if the value is more than $20,000 but not more than $30,000;

(xi) $125, if the value is more than $30,000 but not more than $40,000;

(xii) $150, if the value is more than $40,000 but not more than $50,000;

(xiii) $200, if the value is more than $50,000 but not more than $75,000;

(xiv) $250, if the value is more than $75,000 but not more than $100,000;

(xv) $300, if the value is more than $100,000 but not more than $150,000;

(xvi) $350, if the value is more than $150,000 but not more than $200,000;

(xvii) $400, if the value is more than $200,000 but not more than $300,000;

(xviii) $500, if the value is more than $300,000 but not more than $400,000;

(xix) $600, if the value is more than $400,000 but not more than $500,000;

(xx) $750, if the value is more than $500,000 but not more than $750,000; or

(xxi) $800, if the value is more than $750,000.

(3) In Baltimore City, the license fee is:

(i) $20, if the value of the applicant's stock–in–trade is not more than $1,000;

(ii) $40, if the value is more than $1,000 but not more than $5,000;

(iii) $80, if the value is more than $5,000 but not more than $10,000;

(iv) $160, if the value is more than $10,000 but not more than $50,000;

(v) $375, if the value is more than $50,000 but not more than $100,000;

(vi) $1,000, if the value is more than $100,000 but not more than $300,000;

(vii) $1,500, if the value is more than $300,000 but not more than $750,000; or

(viii) $2,125, if the value is more than $750,000.

(4) In Baltimore County, the license fee is:

(i) $20, if the value of the applicant's stock–in–trade is not more than $1,000;

(ii) $40, if the value is more than $1,000 but not more than $5,000;

(iii) $80, if the value is more than $5,000 but not more than $10,000;

(iv) $160, if the value is more than $10,000 but not more than $50,000;

(v) $375, if the value is more than $50,000 but not more than $100,000;

(vi) $450, if the value is more than $100,000 but not more than $200,000;

(vii) $500, if the value is more than $200,000 but not more than $300,000;

(viii) $775, if the value is more than $300,000 but not more than $400,000;

(ix) $1,000, if the value is more than $400,000 but not more than $500,000;

(x) $1,250, if the value is more than $500,000 but not more than $750,000; and

(xi) $1,600, if the value is more than $750,000.

[(b)**] (D)** (1) This subsection does not apply to a domestic corporation that has shares subject to taxation under State law.

(2) In determining the value of an applicant's stock–in–trade, the clerk shall accept as prima facie evidence the values shown on the certification of the State Department of Assessments and Taxation required by § 17–302 of this title.

[(c)**] (E)** **[**Notwithstanding the provisions of this section, if the average value of the applicant's stock–in–trade is $10,000 or less,**] A LICENSE FEE SHALL BE WAIVED FOR:**

(1) a visually handicapped applicant who meets the standards of **[**§ 17–1806(b)(2)**] § 17–1806(B)(1)** of this subtitle **[**or Blind Industries shall pay to the clerk a license fee of only $6**]; AND**

(2) BLIND INDUSTRIES.

17–1813.

(a) Except as provided in subsection (b) of this section, a trader may transfer the trader's license to a person who:

(1) buys the stock–in–trade of the trader; and

(2) buys or rents the place of business of the trader.

(b) (1) A trader's license issued to a visually handicapped individual or Blind Industries is not transferable.

(2) However, Blind Industries may change the manager of the place of business for which a trader's license was issued if the new manager has vision that meets the standard of **[**§ 17–1806(b)(2)**] § 17–1806(B)(1)** of this subtitle.

(c) Whenever a trader sells the trader's stock–in–trade and transfers the trader's license:

(1) the transfer of the trader's license shall be reported to the clerk who issued the license; and

(2) the clerk shall:

(i) record the transfer of the trader's license; and

(ii) charge 50 cents for doing so.

(d) (1) In Baltimore County, the clerk may not issue a transferred trader's license without the approval of the zoning commissioner.

(2) (i) In Howard County, the clerk may not issue a transferred trader's license without the approval of the Director of the Office of Planning and Zoning.

(ii) Within 3 working days after an application for issuance of a transferred trader's license is submitted for review by the Director of the Office of Planning and Zoning, the Director shall notify the clerk of the approval or disapproval of the application.

(e) A person who buys a trader's license may do business as a trader for the rest of the term of the trader's license.

Article – Tax – Property

11–101.

(a) On or before April 15 of each year, a person shall submit a report on personal property to the Department if:

(1) the person is a business trust, statutory trust, domestic corporation, limited liability company, limited liability partnership, or limited partnership;

(2) the person is a foreign corporation, foreign statutory trust, foreign limited liability company, foreign limited liability partnership, or foreign limited partnership registered or qualified to do business in the State; or

(3) the person owns or during the preceding calendar year owned property that is subject to property tax.

(b) The report shall:

(1) be in the form that the Department requires;

(2) be under oath as the Department requires; and

(3) contain the information that the Department requires.

(C) ON OR BEFORE DECEMBER 31, 2019, THE DEPARTMENT SHALL ADOPT REGULATIONS ON THE GRANTING OF EXEMPTIONS FROM THE REPORTING REQUIREMENT UNDER THIS SECTION.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2019.

Enacted under Article II, § 17(c) of the Maryland Constitution, May 25, 2019.

Department of Legislative Services

Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 34 (Delegate Carr)
Economic Matters Finance

Business Regulation - Trader's Licenses - License Fees

This bill authorizes the governing body of a county or municipality to select a uniform trader's license fee instead of using the existing tiered license fee. Selecting the uniform trader's license fee is a one-time, irrevocable decision. As opposed to tiered licensing, in which most licensing revenue is retained by local governments, all revenue from uniform traders' fees accrues to the State general fund. By December 31, 2019, the State Department of Assessments and Taxation (SDAT) must adopt regulations on the granting of exemptions from the reporting requirements (and associated filing fees) under § 11-101 of the Tax-Property Article.

Fiscal Summary

State Effect: General fund expenditures increase by $56,700 in FY 2020 for a one-time programming expense. State revenues are not expected to be materially affected, as discussed below.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenues	$0	$0	$0	$0	$0
GF Expenditure	56,700	0	0	0	0
Net Effect	($56,700)	$0	$0	$0	$0

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

Local Effect: Local government revenues are not expected to be materially affected, as discussed below. Expenditures are not affected.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The uniform fee is $15, except in Baltimore City and Baltimore County where the fee is $20. In local jurisdictions without a uniform license fee, the clerk of the court must review the accuracy of each applicant's business location prior to issuing a trader's license. The bill also makes minor changes to the licensure of visually handicapped applicants and Blind Industries and Services of Maryland.

If a local jurisdiction adopts the uniform trader's license fee *and* also provides a full tax exemption for commercial inventory, a trader's license application may not be required to submit an inventory certification from SDAT.

Current Law/Background: In a local jurisdiction other than Baltimore City or Baltimore County, an applicant for a trader's license must pay an annual license fee to the clerk of the court ranging from $15 to $800, based on the value of the person's stock-in-trade (*i.e.*, inventory). The fee ranges from $20 to $2,125 in Baltimore City and from $20 to $1,600 in Baltimore County. There are specified exceptions to these general fees. The revenues are generally split between local government (92%) and the State general fund (8%).

If a business is located in a municipality, the local government portion of the revenue is distributed to the municipality; otherwise, the revenue goes to the county in which the business is located. Licenses are typically renewed on May 1 of each year. There is no separate fee amount for municipalities – the fee is determined by the county in which the business is located.

In addition to other requirements, an applicant for a trader's license must submit a certification by SDAT on the value of its inventory in each county where the business is located for the applicant's business for the valuation year.

In fiscal 2018, there were approximately 55,500 trader's licenses issued by the clerks of the court with revenues totaling $9.4 million across State and local government. Of that amount, $7.1 million went to counties, $1.6 million went to municipalities, and $734,000 went to the State. Information for individual counties is shown in **Exhibit 1**.

Corporate Filing Fees and Inventory Certifications

SDAT is the central repository of all records for business entity formation and filings. SDAT administers the State's annual corporate filing fee, which is collected under § 11-101 of the Tax-Property Article, as well as other business transaction fees. The fee is for the privilege of maintaining the legal entity's existence in the State and is generally

$300 per year. Inventory certifications, which are required for traders' licenses, are provided under § 11-102 of the Tax-Property Article at no additional cost.

Exhibit 1
Licenses and Revenue from Trader's Licenses
Fiscal 2018

		Revenue		
Jurisdiction	**Licenses**	**County**	**Municipal**	**State**
Allegany	1,147	$72,160	$52,849	$10,870
Anne Arundel	5,809	716,974	59,305	67,503
Baltimore City	6,119	1,238,653	-	107,709
Baltimore	7,725	1,800,895	-	156,600
Calvert	762	81,754	3,717	7,432
Caroline	356	17,114	18,936	3,135
Carroll	1,791	102,000	108,171	18,276
Cecil	918	50,265	48,602	8,597
Charles	1,284	169,451	23,118	16,745
Dorchester	464	16,301	32,593	4,252
Frederick	2,407	171,349	186,368	31,106
Garrett	641	56,052	22,964	6,871
Harford	2,252	193,347	95,852	25,148
Howard	2,716	423,197	-	36,800
Kent	371	10,755	27,026	3,285
Montgomery	7,010	724,259	249,305	62,142
Prince George's	5,887	694,977	247,548	81,959
Queen Anne's	733	67,991	30,290	8,546
St. Mary's	1,185	138,452	11,960	13,079
Somerset	405	15,343	10,114	2,214
Talbot	889	25,241	74,480	8,671
Washington	1,908	163,696	104,368	23,310
Wicomico	1,319	43,067	144,966	16,351
Worcester	1,433	72,734	79,856	13,269
Statewide	**55,531**	**$7,066,026**	**$1,632,388**	**$733,868**

Note: Numbers may not sum to total due to rounding.

Source: Judiciary (Administrative Office of the Courts); Department of Legislative Services

State Expenditures: General fund expenditures for the Judiciary (Administrative Office of the Courts) increase by $56,742 in fiscal 2020 for a one-time programming expense to include the optional uniform license fee in its system.

In local jurisdictions that do *not* establish a uniform trader's license, the clerk of the court must review the accuracy of each applicant's business location prior to issuing the license. The Judiciary advises that this requirement generally conforms to existing practices and can be handled through existing budgeted resources.

SDAT can handle the bill's requirements with existing budgeted resources.

State Revenues: State general fund revenue collected from trader's licenses generally increases minimally to the extent that local governments choose to establish a uniform licensing fee. However, since local governments must forego all revenue from the trader's license fees to establish a uniform fee, this is unlikely to occur in any local jurisdiction that collects significant revenue. The bill also specifies that a trader's license application may not be required to include an inventory certification from SDAT in specified circumstances; however, inventory certifications are provided by SDAT at no cost. Therefore, general fund revenues are not materially affected.

For illustrative purposes only, if every local jurisdiction chooses to establish a uniform fee, State general fund revenues increase by about $168,000 annually.

Changes related to visually handicapped applicants have a negligible effect on State revenues.

SDAT advises that, although it is required to adopt regulations "on the granting of exemptions" from the annual corporate reporting requirement (and associated $300 filing fee) under § 11-101 of the Tax-Property Article, it does not intend to grant any exemptions from the annual corporate report and associated fee. Therefore, this provision is not anticipated to affect general fund revenues.

Local Revenues: For the same reasons as discussed above, local government revenues decrease to the extent that they choose to establish a uniform licensing fee. Again, this is unlikely to occur in any local jurisdiction that collects significant revenue. Therefore, local revenues are not materially affected. Changes related to visually handicapped applicants have a negligible effect on local revenues.

Small Business Effect: The bill allows local governments to establish uniform trader's license fees, which are relatively low. Small businesses with significant stock-in-trade (*i.e.*, inventory) in local jurisdictions that choose to adopt the uniform fees – even though it is unlikely – benefit from reduced license fees. All small businesses in those local

jurisdictions benefit from reduced complexity associated with the tiered trader's license structure.

Additional Information

Prior Introductions: HB 459 of 2018, a similar bill, passed the House but received an unfavorable report from the Senate Finance Committee.

Cross File: SB 331 (Senator Kramer) - Finance.

Information Source(s): Judiciary (Administrative Office of the Courts); State Department of Assessments and Taxation; Blind Industries and Services of Maryland; Cities of Bowie and Takoma Park; Department of Legislative Services

Fiscal Note History: First Reader - January 11, 2019
mm/mcr Third Reader - March 12, 2019
Revised - Amendment(s) - March 12, 2019

Analysis by: Stephen M. Ross

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GO Item 1
September 22, 2020
Worksession
ADDENDUM

M E M O R A N D U M

September 18, 2020

TO: Government Operations and Fiscal Policy Committee

FROM: Christine Wellons, Legislative Attorney

SUBJECT: Expedited Bill 40-20, Licensing and Regulations – Uniform Trader's License Fee

PURPOSE: Worksession – recommendation expected

The Office of Management and Budget and the Office of Legislative Oversight forwarded the Fiscal Impact statement and the Economic Impact statement for Expedited Bill 40-20 after the Government Operations and Fiscal Policy Committee packet went to print.

This packet contains:	Circle #
Fiscal Impact statement	1
Economic Impact statement	5

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OFFICE OF MANAGEMENT AND BUDGET

Marc Elrich
County Executive

Jennifer Bryant
Acting Director

M E M O R A N D U M

September 17, 2020

TO: Sidney Katz, President, County Council

FROM: Jennifer Bryant, Acting Director, Office of Management and Budget

SUBJECT: FIS for Expedited Council Bill 40-20, Licensing and Regulations – Uniform Trader's License Fee

Please find attached the Fiscal Impact Statement for the above-referenced legislation.

JB:cm

c: Richard S. Madaleno, Acting Chief Administrative Officer
Fariba Kassiri, Deputy Chief Administrative Officer
Caroline Sturgis, Assistant Chief Administrative Officer
Debbie Spielberg, Special Assistant to the County Executive
Dale Tibbitts, Special Assistant to the County Executive
Lisa Austin, Office of the County Executive
Barry Hudson, Director, Public Information Office
Mike Coveyou, Director, Department of Finance
Estela Boronat de Gomes, Office of Management and Budget
Monika Coble, Office of Management and Budget
Chrissy Mireles, Office of Management and Budget
Chris Mullin, Office of Management and Budget

Fiscal Impact Statement
Bill 40-20, Licensing and Regulations- Uniform Trader's License Fee

1. **Legislative Summary**

Bill 40-20 would select a uniform trader's license fee under State Law. This license fee would be $15.

2. **An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.**

Current Law: Under the current law, an applicant for a trader's license must pay an annual license fee to the Clerk of the Court ranging from $15 to $800, based on the value of the person's stock-in-trade (i.e., inventory). The revenues are generally split between local government (92%) and the State general fund (8%).

If the business is located in a municipality, the local government portion of the revenue is distributed to the municipality; otherwise, the revenue goes to the county in which the business is located.

In FY 2018, in Montgomery County there were approximately 7,010 trader's licenses issued with revenue totaling $1 million across the county. Distribution of revenue is shown in Table 1.

Under the proposed bill, the fee would be $15 for all traders, and the State would keep all revenues from the fee.

The selection by the government body of the County of a uniform trader's license fee under State Law is irrevocable. (HB 34 Chapter 569, 17-1807.1.(B))

Table 1

Montgomery County- FY 2018- Revenue from trader's Licenses					
	Licenses	Montgomery County	Municipal	MD State	Total Revenue
Current Fees	7010	$ 724,259	$ 249,305	$ 62,142	$ 1,035,706
Proposed uniform License Fee $15	7010	0	0	$ 105,150	$ 105,150
Revenue(Loss) gain	7010	$ (724,259)	$ (249,305)	$ 43,008	**$ (930,556)**

Source: Judicial (Administrative Office of the Courts): MD Department of Legislative Services

3. **Revenue and expenditure estimates covering at least the next 6 fiscal years.**

If Bill 40-20 is adopted, the County will lose revenue of approximately $955K annually (Table 2).

Table 2

Fiscal Year	Total County fees- Trader's Business License
FY16	$ 1,201,706.8
FY17	$ 839,555.1
FY18	$ 871,737.5
FY19	$ 907,050.1
Average	**$ 955,012.4**

Source: Montgomery County - Finance Department General Ledger- account 41046 "Traders License"

As a result of the new uniform fee of $15, changes to the trader's license fee are as follow:

Revenue Projected under Current Fees	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	Total 6-Year
Forecasted Trader's License Fees	$ 955,012	$ 955,012	$ 955,012	$ 955,012	$ 955,012	$ 955,012	$5,730,074

Revenue Projected under Proposed Fees	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	Total 6-Year
Forecasted Trader's License Fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Summary:

The proposed fee change to the trader's license fee is estimated to result in a decrease of $5.7M over the FY21-26 period vs. the current fees. This amounts to an average annual decrease of $955,012 in trader's license fees over the FY21-26 period.

4. **An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.**

   Not applicable.

5. **An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.**

   Not applicable.

6. **Later actions that may affect future revenue and expenditures if the bill authorizes future spending.**

   Bill 40-20 does not authorize future spending.

7. **An estimate of the staff time needed to implement the bill.**

   Not applicable.

8. **An explanation of how the addition of new staff responsibilities would affect other duties.**

   Not applicable.

9. **An estimate of costs when an additional appropriation is needed.**

   Not applicable.

10. **A description of any variable that could affect revenue and cost estimates.**

    Not applicable.

11. **Ranges of revenue or expenditures that are uncertain or difficult to project.**

    Not applicable.

12. **If a bill is likely to have no fiscal impact, why that is the case.**

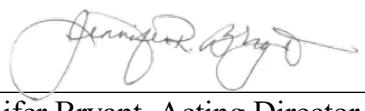
    Not applicable.

13. **Other fiscal impacts or comments.**

    None.

14. **The following contributed to and concurred with this analysis:**

    Estela Boronat de Gomes, Office of Management and Budget



Jennifer Bryant, Acting Director
Office of Management and Budget

9/17/20
Date

Economic Impact Statement

Office of Legislative Oversight

Expedited Bill 40-20

Licensing and Regulations – Uniform Trader's License Fee

SUMMARY

The Office of Legislative Oversight (OLO) expects enacting Expedited Bill 40-20 to have a minimal economic impact on the County as a whole. However, retail stores and exhibitors required to purchase trader's licenses would also benefit from reduced administrative costs associated with determining the value of their inventories.

BACKGROUND

The State of Maryland requires certain retail stores and exhibitors to attain a trader's license. The Circuit Court collects the fee for the license.[1] Under current law, the trader's license ranges from $15 to $800, depending on the value of the trader's inventory.[2] The State of Maryland and the County share the revenue collected from the traders.[3]

In 2019, State lawmakers passed House Bill 34 to allow Counties to adopt a uniform trader's license fee in the amount of $15, irrespective of the size of the business's inventory.[4] If Expedited Bill 40-20 is enacted, businesses would pay flat fees of $15 to receive trader's licenses.[5] All of the revenue from the fee would accrue to the State general fund, as stipulated in State law.[6] However, these changes would only apply to municipalities in the County that have opted into Chapter 30 of the County Code. Moreover, under State law, the adoption of the uniform fee would be "irrevocable." Expedited Bill 40-20, however, would permit the County to revoke the change if State law changes.[7]

If enacted, the changes to the rate of the trader's license fees and allocation of the revenues would take effect on the date Expedited Bill 40-20 becomes law.[8]

METHODOLOGIES, ASSUMPTIONS

To evaluate the annual economic impacts of enacting Expedited Bill 40-20, OLO uses figures for the licenses and revenue from the trader's licenses from fiscal year 2018.[9] In this year, 7,010 licenses were issued to retail stores and exhibiters in the County. The County and its municipalities collected a total of $973,564 in revenues. The State of

[1] Christine Wellons, Memorandum, Expedited Bill 40-20, Licensing and Regulations – Uniform Trader's License Fee, Montgomery County Council, September 10, 2020, 1.
[2] Ibid.
[3] Ibid.
[4] State of Maryland, House Bill 34, Business Regulation – Trader's Licenses – License Fees, Enacted on May 29, 2019.
[5] Montgomery County Council, Expedited Bill 40-20, Licensing and Regulations – Uniform Trader's License Fee, Introduced on September 15, 2020, Montgomery County, Maryland, 2 and 3.
[6] Fiscal and Policy Note, Business Regulation – Trader's Licenses – License Fees, House Bill 34, Maryland General Assembly.
[7] Montgomery County Council, Expedited Bill 40-20, 2.
[8] Ibid.
[9] See Exhibit 1 in Fiscal and Policy Note, House Bill 34, 3.

and UNCERTAINTIES

Maryland collected $62,142 in revenues. The average fee that the retail stores and exhibitions paid was $148.

In its fiscal analysis, the Office of Management and Budget calculates how the proposed changes to the trader's license fees and allocation of revenues would have impacted the revenues collected in FY 2018. The County and its municipalities would have collected $0 in revenues, a net loss of $973,564. The State of Maryland would have collected $105,150 in revenues, a net increase of $43,008. Retail stores and exhibitions would have each paid $15 for the license, an average net decrease of $133 per business.

As indicated in the analysis for FY 2018, enacting Expedited Bill 40-20 would involve an internal transfer within the County. The revenues that the County and municipalities would forgo would be retained by local businesses. This internal transfer, therefore, would involve no net change in the amount of economic activity in the County. However, due to the revenue allocation stipulations, the County would lose $43,008 in revenue accrued to the state in the FY 2018 example. Thus, the enactment of Expedited Bill 40-20 could potentially result in a negligible decrease in net economic activity in the County.

Ultimately, the total annual economic impact of Expedited Bill 40-20 would equal the difference between: (a) the per year economic benefits of reducing the license fee to businesses operating in the County; and (b) the per year opportunity cost of reducing County revenues. The magnitude of the economic benefits and opportunity costs would be influenced by the positive and negative multiplier effects entailed in the reduction of license fees. The multiplier effect captures how a net change in economic activity affects other rounds of spending. On the positive side, the license fee decrease would increase the net income of private organizations. They would then spend a portion of the additional income within the County, thereby generating a positive multiplier effect. However, on the negative side, the license fee decrease would reduce County revenues. The forgone revenue then could not be used to stimulate the economy through government expenditures.

OLO can calculate the per year positive multiplier effect of reducing the license fee. Using the Regional Input-Output Modeling System (RIMS II) "final-demand multipliers" for Montgomery County developed by the U.S. Bureau of Economic Analysis,[10] economic impacts are estimated in terms of three economic measures:

- Output (sales): total market value of industry output,
- Earnings: employee compensation plus net earnings of sole proprietors and partnerships, and
- Employment: number of full- and part-time employees.[11]

These estimates, however, do not account for the monetary savings that businesses may receive from being relieved of the administrative burden of determining the value of their inventories. Moreover, OLO cannot estimate the opportunity cost of reduced government expenditures.

[10] U.S. Bureau of Economic Analysis, *RIMS II: An Essential Tool for Regional Developers and Planners*, December 2013, https://apps.bea.gov/regional/rims/rimsii/rimsii_user_guide.pdf.
[11] Ibid, 3 – 3 and 3 – 4.

In its fiscal impact analysis, the Office of Management and Budget project that, if Expedited Bill 40-20 is enacted, the County would forgo approximately $955,000 in revenues from license fees that retail stores and exhibitors would not have to pay. The savings to these businesses would generate $1,262,224 to $1,521,888 in total output, $277,046 to $362,136 in earnings, and 9 to 12 jobs per year.[12] However, the true total economic impacts would deduct the loss of output, earnings, and/or jobs that a reduction in government expenditure would create from these estimates. As previously stated, OLO cannot estimate these opportunity costs.

VARIABLES

The variables that could affect the economic impacts of enacting Expedited Bill 40-20 are the following:

- Net change in overhead expenses for businesses from the license fee and administrative costs of determining the value of inventory;
- Opportunity cost from forgone County and municipal revenue; and
- Amount of forgone revenue to the State that is reinvested in the County.

IMPACTS

Businesses, Non-Profits, Other Private Organizations

workforce, taxation policy, property values, incomes, operating costs, private sector capital investment, economic development, and competitiveness

As a change in business license policy, retail stores and exhibitors that are required to attain trader's licenses would be impacted by the enactment of Expedited Bill 39-20. OLO believes that the primary benefit to these businesses would be being relieved of the administrative burden of determining the value of their inventories. Importantly, these businesses have been particularly harmed by the COVID-19 pandemic and economic recession. As reviewed in the OLO COVID-19 Recovery Outlook paper on Small Businesses,[13] businesses in the retail sector, particularly small and minority-owned businesses, are at high-risk of closing. Although many retail stores and exhibitors are need of financial assistance, OLO does not believe that the savings these businesses would receive from the reduced license fee would affect rates of business closure. As shown above, retail stores and exhibitors, on average, would have saved only $133 in FY 2018. Importantly, the savings would not be evenly distributed among businesses. Given the current progressive rate for license fees, businesses with higher-valued inventories would save the most. **Table 1** shows how the per year savings depends on the value of business inventories.

[12] The lower-bound estimates were calculated using Type I RIMS-II multipliers, whereas the upper-bound estimates were calculated using Type II multipliers.
[13] Stephen Roblin, COVID-19 Recover Outlook: Small Businesses, Office of Legislative Oversight, Montgomery County Council, June 12, 2020, https://www.montgomerycountymd.gov/OLO/Resources/Files/2020%20Reports/COVID-19Recovery-SmallBusinesses.pdf.

Table 1. Annual Savings from Proposed Changes to Trader's License Fees

Inventory Value	Current License Fee	Proposed License Fee	Savings
$1,000 or less	$15	$15	$0
over $1,000 to $1,500	$18	$15	$3
over $1,500 to $2,500	$20	$15	$5
over $2,500 to $4,000	$25	$15	$10
over $4,000 to $6,000	$30	$15	$15
over $6,000 to $8,000	$40	$15	$25
over $8,000 to $10,000	$50	$15	$35
over $10,000 to $15,000	$65	$15	$50
over $15,000 to $20,000	$80	$15	$65
over $20,000 to $30,000	$100	$15	$85
over $30,000 to $40,000	$125	$15	$110
over $40,000 to $50,000	$150	$15	$135
over $50,000 to $75,000	$200	$15	$185
over $75,000 to $100,000	$250	$15	$235
over $100,000 to $150,000	$300	$15	$285
over $150,000 to $200,000	$350	$15	$335
over $200,000 to $300,000	$400	$15	$385
over $300,000 to $400,000	$500	$15	$485
over $400,000 to $500,000	$600	$15	$585
over $500,000 to $750,000	$750	$15	$735
over $750,000	$800	$15	$785

Among the Council's priority indicators,[14] the enactment of Expedited Bill 40-20 would primarily affect retail stores and exhibitors' operating costs. All businesses with inventories valued at more than $1,000 would experience a reduction in operating costs, with businesses with higher-valued inventories seeing the largest reduction in operating costs in absolute terms. Given the minimal amount of savings, OLO does not believe the Bill would meaningfully impact the Council's other priority indicators, namely workforce, property values, capital investment, taxation policy, economic development, and competitiveness.

Residents

workforce, taxation policy, property values, incomes, operating costs, private sector capital investment,

OLO believes that enacting Expedited Bill 40-20 would have little to no impact on County residents in terms of the Council's priority indicators.

[14] For the Council's priority indicators, see Montgomery County Council, Bill 10-19 Legislative Branch – Economic Impact Statements – Amendments, Enacted on July 30, 2019, Montgomery County, Maryland, 3.

economic development, and competitiveness

WORKS CITED

Fiscal and Policy Note. Business Regulation – Trader's Licenses – License Fees. House Bill 34. Maryland General Assembly.

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U.S. Bureau of Economic Analysis. *RIMS II: An Essential Tool for Regional Developers and Planners.* December 2013, https://apps.bea.gov/regional/rims/rimsii/rimsii_user_guide.pdf.

Wellons, Christine. Memorandum. Expedited Bill 40-20, Licensing and Regulations – Uniform Trader's License Fee. Montgomery County Council. September 10, 2020.

CAVEATS

Two caveats to the economic analysis performed here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent the OLO's endorsement of, or objection to, the bill under consideration.

CONTRIBUTIONS

Stephen Roblin (OLO) drafted this economic impact statement after consultation with Estela Boronat de Gomes, Fiscal and Policy Analyst, with the Office of Management and Budget.