

Inside Maryland Taxes

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Publication Date: July 26, 2011

In this edition of "Inside Maryland Taxes" we provide an update of recent past and upcoming state tax events and issues related to the great state of Maryland. This edition includes:

- Comptroller of Maryland Speaks at D.C. State Tax Executives' Luncheon Lecture Series
- Don Griswold Appointed to Maryland Business Advisory Council
- Maryland Senate Budget & Taxation Committee Briefing Today
- Fiscal Year 2011 Revenues Exceed Estimates
- Maryland Marcellus Shale Panel Formed - Potential Tax Implications?

Comptroller of Maryland Speaks at Summer Installment of D.C. State Tax Executives' Luncheon Lecture Series

On July 7, Reed Smith hosted Peter Franchot, Comptroller of Maryland, as the special guest for its Tax Executives' State Tax Luncheon Lecture series. The Comptroller delivered remarks followed by a question-and-answer session with attendees. The topics discussed included the Comptroller's view of the state's economy, tax topics that might be covered in Maryland's fall special legislative session, current views on combined reporting, sales tax on services, and the Comptroller's view on imposing a sales tax collection and remittance obligation on Internet sellers who sell to Maryland customers.

Reed Smith's D.C. Tax Executives' State Tax Luncheon Lecture series is a quarterly, by-invitation-only, program exclusively for Vice Presidents of Tax, Tax Directors and Tax Counsel. If you're in the D.C. area, and would like an invitation to the next lunch program, please contact one of the authors of this alert or the Reed Smith attorney with whom you regularly work.

Donald Griswold Appointed to Maryland Business Advisory Council

Maryland Comptroller Peter Franchot has appointed D.C. State Tax partner Don Griswold to the Comptroller's Business Advisory Council, a CEO-level forum that meets quarterly to advise him on tax, economic and business issues. The Council serves as a collective voice of experience on issues that affect Maryland's economy and business climate, as well as a valuable source of ideas for improving the taxpayer services provided by the Comptroller's Office.

Senate Budget & Taxation Committee Briefing Today

On July 26, the Senate Budget & Taxation Committee will hold a briefing regarding options for expanding the state's sales tax. Topics to be addressed will include such issues as sales tax on services and taxation of Internet sales.



The Budget & Taxation Committee briefing precedes the fall special legislative session, which will begin sometime the week of October 17 (a specific date has not yet been set). It is still unclear what issues may be addressed at the session, although some speculate tax actions will be part of a package.

Fiscal Year 2011 Revenues Exceed Estimates

On July 22, the Comptroller transmitted to Gov. Martin O'Malley and legislative leaders the revenues from June 2011 - the last month of the fiscal year. According to the letter, individual income tax revenues for the fiscal year that just ended are expected to be \$300 million above estimates. On the other hand, corporate tax revenues are \$40 million under the forecast, and sales tax revenues will finish at least \$30 million below the estimate. Because of economic volatility, the Comptroller recommended that the governor and legislative leaders place the money in the state's rainy day fund. The revenue figures will be finalized in the closeout report for fiscal year 2011, which will be issued in late August.

Maryland Marcellus Shale Panel Formed - Potential Tax Implications?

On July 19, the governor announced the members of the Marcellus Shale Advisory Commission-a panel formed to study the short-term and long-term effects of potential natural gas drilling in the Marcellus Shale in western Maryland. The Marcellus Shale contains the nation's largest-known natural gas reservoir, and is located in the eastern United States.

If Maryland approves the exploration of Marcellus Shale, it could mean much more than just drilling, but would likely have tax implications on natural gas companies, their subcontractors, and other members of the industry that provide support to natural gas companies. Reed Smith has been active in evaluating the state tax implications related to exploration of Marcellus Shale in Pennsylvania and will be closely monitoring the developments in Maryland.

For more information on the items discussed in this *Alert*, or Maryland tax issues in general, please contact one of the authors, or the Reed Smith attorney with whom you regularly work. For more information on Reed Smith's Maryland State Tax Practice, visit www.reedsmith.com/mdtax.

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