

**PRINCE GEORGE'S COUNTY COUNCIL  
AGENDA ITEM SUMMARY**

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**Meeting Date:** 5/21/2002

**Reference No.:** CB-37-2002

**Proposer:** County Executive

**Draft No.:** 1

**Sponsors:** Shapiro, Hendershot, Bailey

**Item Title:** An Emergency Act for the purpose of imposing, levying and collecting a sales and use tax on telecommunications service in Prince George's County

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**Drafter:** Kathleen H. Canning,  
Law

**Resource** Stanley A. Earley,  
**Personnel:** OMB

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**LEGISLATIVE HISTORY:**

**Date Presented:** 4/30/2002

**Executive Action:** 5/31/2002 S

**Committee Referral:** 4/30/2002 C.O.W.

**Effective Date:** 6/1/2002

**Committee Action:** 4/30/2002 FAV

**Date Introduced:** 4/30/2002

**Public Hearing:** 5/21/2002 10:15 A.M.

**Council Action:** 5/22/2002 ENACTED

**Council Votes:** PS:A, DB:A, TD:A, JE:A, TH:A, RVR:A, AS:N, MW:A

**Pass/Fail:** P

**Remarks:** \_\_\_\_\_

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**COMMITTEE OF THE WHOLE REPORT**

**DATE: April 30, 2002**

Committee Vote: Favorable - 7-1 (In favor: Council Members Shapiro, Bailey, Dernoga, Estepp, Hendershot, and Wilson; Opposed: Council Member Scott)

The fiscal impact on the County will be positive in the amount of approximately \$19.1 million as result of the enactment of CB-37-2002. These funds can only be used for schools

**BACKGROUND INFORMATION/FISCAL IMPACT****(Includes reason for proposal, as well as any unique statutory requirements)**

The State has mandated that the County impose and collect a sales and use tax on telecommunications service to take effect June 1, 2002, pursuant to House Bill 949 enacted during the 2002 Session of the Maryland General Assembly. As drafted, this bill provides for a tax rate of 8% on the gross receipts for telecommunications service in Prince George's County. This emergency bill is subject to the Governor's approval of House Bill 949.

In accordance with the recently enacted State law, the sales and use tax on telecommunications service applies to telecommunications service that (1) originates and terminates in the County; (2) originates or terminates in the County and has a service address in the County; and (3) to mobile telecommunications services to the fullest extent authorized under Federal law. The only legally permissible exemptions provided by the State law are for non-profit organizations, the State or political subdivision of the State, and prepaid telephone calling arrangements.

Telecommunication service vendors are charged with collecting the tax on behalf of the County, providing itemized statements to their customers, and remitting payment to the County. The County's Office of Finance is responsible for administering the sales and use tax on telecommunications service and auditing vendor records to assure compliance.

The proceeds are subject only to administrative fees and may only be used for County school system operating expenditures. Further, these proceeds may not be used to supplant any State aid for education provided to the County or County funds provided to the County school system.

**CODE INDEX TOPICS:**