

HOUSE BILL 328

Q3

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By: **Delegates Serafini and F. Turner**

Introduced and read first time: January 22, 2014

Assigned to: Ways and Means

A BILL ENTITLED

AN ACT concerning

Income Tax – Flat Tax

FOR the purpose of altering the State and county income tax rates on certain income of individuals; providing for the application of this Act; and generally relating to the State and county income tax rates on income of individuals.

BY repealing and reenacting, with amendments,

Article – Tax – General

Section 10–105

Annotated Code of Maryland

(2010 Replacement Volume and 2013 Supplement)

BY repealing

Article – Tax – General

Section 10–106

Annotated Code of Maryland

(2010 Replacement Volume and 2013 Supplement)

BY adding to

Article – Tax – General

Section 10–106

Annotated Code of Maryland

(2010 Replacement Volume and 2013 Supplement)

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

Article – Tax – General

10–105.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



HOUSE BILL 328

[(a) (1) For an individual other than an individual described in paragraph (2) of this subsection, the State income tax rate is:

- (i) 2% of Maryland taxable income of \$1 through \$1,000;
- (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;
- (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;
- (iv) 4.75% of Maryland taxable income of \$3,001 through \$100,000;
- (v) 5% of Maryland taxable income of \$100,001 through \$125,000;
- (vi) 5.25% of Maryland taxable income of \$125,001 through \$150,000;
- (vii) 5.5% of Maryland taxable income of \$150,001 through \$250,000; and
- (viii) 5.75% of Maryland taxable income in excess of \$250,000.

(2) For spouses filing a joint return or for a surviving spouse or head of household as defined in § 2 of the Internal Revenue Code, the State income tax rate is:

- (i) 2% of Maryland taxable income of \$1 through \$1,000;
- (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;
- (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;
- (iv) 4.75% of Maryland taxable income of \$3,001 through \$150,000;
- (v) 5% of Maryland taxable income of \$150,001 through \$175,000;
- (vi) 5.25% of Maryland taxable income of \$175,001 through \$225,000;
- (vii) 5.5% of Maryland taxable income of \$225,001 through \$300,000; and
- (viii) 5.75% of Maryland taxable income in excess of \$300,000.]

(A) FOR AN INDIVIDUAL WITH MARYLAND TAXABLE INCOME IN EXCESS OF \$30,000, INCLUDING SPOUSES FILING A JOINT RETURN OR A SURVIVING SPOUSE OR HEAD OF HOUSEHOLD AS DEFINED IN § 2 OF THE INTERNAL REVENUE CODE, THE STATE INCOME TAX RATE IS 3.5% OF MARYLAND TAXABLE INCOME.

(b) The State income tax rate for a corporation is 8.25% of Maryland taxable income.

(c) For a married couple filing a joint income tax return, the [rates] RATE specified in subsection (a) of this section [apply] APPLIES to the joint Maryland taxable income of the married couple.

(d) For a nonresident:

(1) the [rates] RATE specified in subsection (a) of this section [apply] APPLIES to the nonresident's Maryland taxable income, calculated without regard to the subtractions under § 10–210(b), (e), and (f) of this title; and

(2) the State income tax imposed equals the result obtained under item (1) of this subsection multiplied times a fraction:

(i) the numerator of which is the nonresident's Maryland taxable income, calculated with the subtractions under § 10–210(b), (e), and (f) of this title; and

(ii) the denominator of which is the nonresident's Maryland taxable income, calculated without regard to the subtractions under § 10–210(b), (e), and (f) of this title.

[10–106.

(a) (1) Each county shall set, by ordinance or resolution, a county income tax equal to at least 1% but not more than the percentage of an individual's Maryland taxable income as follows:

(i) 3.05% for a taxable year beginning after December 31, 1998 but before January 1, 2001;

(ii) 3.10% for a taxable year beginning after December 31, 2000 but before January 1, 2002; and

(iii) 3.20% for a taxable year beginning after December 31, 2001.

(2) A county income tax rate continues until the county changes the rate by ordinance or resolution.

(3) (i) A county may not increase its county income tax rate above 2.6% until after the county has held a public hearing on the proposed act, ordinance, or resolution to increase the rate.

(ii) The county shall publish at least once each week for 2 successive weeks in a newspaper of general circulation in the county:

1. notice of the public hearing; and
2. a fair summary of the proposed act, ordinance, or resolution to increase the county income tax rate above 2.6%.

(4) Notwithstanding paragraph (1) or (2) of this subsection, in Howard County, the county income tax rate may be changed only by ordinance and not by resolution.

(b) If a county changes its county income tax rate, the county shall:

(1) increase or decrease the rate in increments of one one-hundredth of a percentage point, effective on January 1 of the year that the county designates; and

(2) give the Comptroller notice of the rate change and the effective date of the rate change on or before July 1 prior to its effective date.]

10-106.

THE COUNTY INCOME TAX RATE IS 2.3%.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2014, and shall be applicable to all taxable years beginning after December 31, 2014.