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§10–907.

(a) Income tax is not required to be withheld at the time wages are paid to a nonresident:

(1) for State income tax withholding purposes, if the Comptroller and the state in which the nonresident resides have agreed in writing to allow a reciprocal exemption from tax and withholding for the wages of residents of each state that are earned in the other state;

(2) for county income tax withholding purposes, if:

(i) the nonresident derives wages from employment in a county; and

(ii) the Comptroller determines that each locality in which the nonresident resides:

1. imposes no tax on the income of a Maryland resident from wages from employment in that locality;

2. exempts that income from its tax on income; or

3. allows a credit for that income and exempts that income from the withholding requirement for its tax on income;

(3) for tips, to the extent that the amount required to be withheld on the tips causes the total withholdings for the period to exceed the available net wages other than tips after deductions are made for:

(i) the federal income and Social Security taxes and income tax required to be withheld on wages other than tips; and

(ii) the federal income and Social Security taxes required to be withheld on the tips; or

(4) if the wages are paid to an individual rendering police, fire, rescue, or emergency services in an area covered under a state of emergency declared by the Governor under § 14–107 of the Public Safety Article by:

(i) a nonprofit organization not registered to do business in the State and not otherwise doing business in the State; or

(ii) a state, county, or political subdivision of a state, other than the State of Maryland.

(b) Unless the payee specifically asks that income tax be withheld from an annuity, sick pay, or retirement distribution, income tax is not required to be withheld from that payment.

(c) Income tax is not required to be withheld on that portion of a death benefit to be excluded from federal adjusted gross income, including amounts to be transferred by the beneficiary or the Board of Trustees of the State Retirement and Pension System to an eligible retirement plan as defined in § 402(c)(8)(B) of the Internal Revenue Code in a nontaxable rollover. The State Retirement Agency is authorized to obtain such representation as it deems necessary to determine if the beneficiary will make a nontaxable rollover.

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