

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1038
Ways and Means

(Delegate Buckel, *et al.*)

Income Tax - Rates

This bill reduces State income taxes by decreasing the State income tax rate of 4.75% to 4.5% for all taxpayers. The bill also reduces the State income tax rate of 5% to 4.75% for taxpayers who file joint returns or file as a surviving spouse or head of household.

The bill takes effect July 1, 2018, and applies to tax year 2018 and beyond.

Fiscal Summary

State Effect: General fund revenues decrease by \$162.0 million in FY 2018 due to the income tax rates specified by the bill, reflecting the impact of about one-half of a tax year. Future year revenue estimates reflect annualization and the current income tax revenue forecast. General fund expenditures may increase minimally in FY 2018 due to implementation costs at the Comptroller's Office.

(\$ in millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF Revenue	(\$162.0)	(\$334.3)	(\$344.4)	(\$352.4)	(\$359.2)
GF Expenditure	-	\$0	\$0	\$0	\$0
Net Effect	(\$162.0)	(\$334.3)	(\$344.4)	(\$352.4)	(\$359.2)

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

Local Effect: None.

Small Business Effect: Small businesses that are partnerships, S corporations, limited liability companies, and sole proprietorships will be meaningfully impacted by the bill. Any of these small businesses will be positively impacted through decreased income tax liabilities.

Analysis

Current Law/Bill Summary: Exhibit 1 shows the State income tax rates under current law. Exhibit 2 shows the State income tax rates proposed by the bill beginning in tax year 2018.

Exhibit 1 Maryland State Income Tax Rates Current Law

Single, Dependent Filer, Married Filing Separate		Joint, Head of Household, Widower	
<u>Rate</u>	<u>Maryland Taxable Income</u>	<u>Rate</u>	<u>Maryland Taxable Income</u>
2.00%	\$1-\$1,000	2.00%	\$1-\$1,000
3.00%	\$1,001-\$2,000	3.00%	\$1,001-\$2,000
4.00%	\$2,001-\$3,000	4.00%	\$2,001-\$3,000
4.75%	\$3,001-\$100,000	4.75%	\$3,001-\$150,000
5.00%	\$100,001-\$125,000	5.00%	\$150,001-\$175,000
5.25%	\$125,001-\$150,000	5.25%	\$175,001-\$225,000
5.50%	\$150,001-\$250,000	5.50%	\$225,001-\$300,000
5.75%	Excess of \$250,000	5.75%	Excess of \$300,000

Exhibit 2 Maryland State Income Tax Rates Proposed – Tax Year 2018

Single, Dependent Filer, Married Filing Separate		Joint, Head of Household, Widower	
<u>Rate</u>	<u>Maryland Taxable Income</u>	<u>Rate</u>	<u>Maryland Taxable Income</u>
2.00%	\$1-\$1,000	2.00%	\$1-\$1,000
3.00%	\$1,001-\$2,000	3.00%	\$1,001-\$2,000
4.00%	\$2,001-\$3,000	4.00%	\$2,001-\$3,000
4.50%	\$3,001-\$100,000	4.50%	\$3,001-\$150,000
5.00%	\$100,001-\$125,000	4.75%	\$150,001-\$175,000
5.25%	\$125,001-\$150,000	5.25%	\$175,001-\$225,000
5.50%	\$150,001-\$250,000	5.50%	\$225,001-\$300,000
5.75%	Excess of \$250,000	5.75%	Excess of \$300,000

State Revenues: The proposed State income tax rates take effect beginning in tax year 2018. As a result, general fund revenues will decrease by \$162.0 million in fiscal 2018, which reflects the impact of about one-half of tax year 2018. Future year estimates reflect annualization and the current income tax revenue forecast. **Exhibit 3** shows the estimated impact of the bill on State revenues through fiscal 2022.

Exhibit 3
State Revenue Impacts
Fiscal 2018-2022
(\$ in Millions)

<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
(\$162.0)	(\$334.3)	(\$344.4)	(\$352.4)	(\$359.2)

State Expenditures: General fund expenditures for the Comptroller's Office may increase minimally in fiscal 2018 as a result of issuing new employer withholding tables and altering the personal income tax forms.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office; Department of Legislative Services

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