

Department of Legislative Services  
 Maryland General Assembly  
 2019 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 854  
 Ways and Means

(Delegate Szeliga, *et al.*)

Income Tax Rates - Reductions

This bill reduces State income taxes by decreasing certain State income tax rates by 0.25%.  
**The bill takes effect July 1, 2019, and applies to tax year 2019 and beyond.**

Fiscal Summary

**State Effect:** General fund revenues decrease by \$624.0 million in FY 2020 due to the income tax rates specified by the bill, reflecting the impact of one and one-half tax years. Future year estimates reflect annualization and the current income tax revenue forecast. General fund expenditures may increase minimally in FY 2020 due to implementation costs at the Comptroller’s Office.

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
GF Revenue	(\$624.0)	(\$436.2)	(\$451.2)	(\$466.1)	(\$482.2)
GF Expenditure	-	\$0	\$0	\$0	\$0
Net Effect	(\$624.0)	(\$436.2)	(\$451.2)	(\$466.1)	(\$482.2)

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

**Local Effect:** None.

**Small Business Effect:** Small businesses such as partnerships, S corporations, limited liability companies, and sole proprietorships that are impacted by the bill will realize decreased income tax liabilities.

## Analysis

### Current Law/Bill Summary:

#### *State Income Tax Rates*

**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 2019.

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### Exhibit 1 Maryland State Income Tax Rates Current Law

<b>Single, Dependent Filer, Married Filing Separate</b>		<b>Joint, Head of Household, Widower</b>	
<b><u>Rate</u></b>	<b><u>Maryland Taxable Income</u></b>	<b><u>Rate</u></b>	<b><u>Maryland Taxable Income</u></b>
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

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**Exhibit 2**  
**Maryland State Income Tax Rates**  
**Proposed**

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

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**State Revenues:** The bill reduces specified State income tax rates beginning with tax year 2019. As a result, general fund revenues will decrease by \$624.0 million in fiscal 2020, which reflects the impact of about one and one-half tax years. **Exhibit 3** shows the projected State revenue loss resulting from the bill.

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**Exhibit 3**  
**Projected State Revenue Impact**  
**(\$ in Millions)**

<b><u>FY 2020</u></b>	<b><u>FY 2021</u></b>	<b><u>FY 2022</u></b>	<b><u>FY 2023</u></b>	<b><u>FY 2024</u></b>
(\$624.0)	(\$436.2)	(\$451.2)	(\$466.1)	(\$482.2)

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 951 (Senator Ready, *et al.*) - Budget and Taxation.

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

**Fiscal Note History:** First Reader - February 24, 2019  
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