

HOUSE BILL 319

Q3

(11r0708)

ENROLLED BILL

— Ways and Means/Budget and Taxation —

Introduced by **Delegate Palakovich Carr**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this

_____ day of _____ at _____ o'clock, _____ M.

Speaker.

CHAPTER _____

1 AN ACT concerning

2 **Local Tax Relief for Working Families Act of 2021**

3 FOR the purpose of altering the calculation of a certain grant to certain counties under
4 certain circumstances; altering the minimum tax rate that a county is required to
5 impose on an individual's Maryland taxable income; ~~altering the maximum tax rate~~
6 ~~a county may impose on an individual's Maryland taxable income~~; authorizing a
7 county to impose the county income tax on an income bracket basis under certain
8 circumstances; requiring a county that imposes the county income tax on an income
9 bracket basis to set, by ordinance or resolution, certain income brackets; providing
10 that the income brackets may differ from the income brackets to which the State
11 income tax applies; prohibiting a county that imposes the county income tax on an
12 income tax bracket basis from setting a minimum income tax rate less than a certain
13 amount; prohibiting a county from applying an income tax rate to a certain income
14 bracket that is less than a certain rate ~~or from imposing an income tax rate that is~~
15 ~~greater than a certain rate except under certain circumstances~~; authorizing a county

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.

Italics indicate opposite chamber/conference committee amendments.



1 to request certain information from the Comptroller for a certain purpose; *making a*
 2 *conforming change*; repealing certain obsolete language; providing for the
 3 application of this Act; and generally relating to the county income tax.

4 *BY repealing and reenacting, with amendments,*

5 *Article – Local Government*

6 *Section 16–501*

7 *Annotated Code of Maryland*

8 *(2013 Volume and 2020 Supplement)*

9 *(As enacted by Chapter 26 of the Acts of the General Assembly of 2021)*

10 BY repealing and reenacting, with amendments,

11 Article – Tax – General

12 Section 10–106

13 Annotated Code of Maryland

14 (2016 Replacement Volume and 2020 Supplement)

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

17 **Article – Local Government**

18 **16–501.**

19 *(a) Subject to subsection (e) of this section, for each fiscal year, the Comptroller*
 20 *shall pay to an eligible county a grant in the amount determined under subsection (c)(3) of*
 21 *this section.*

22 *(b) A county may not receive a grant under subsection (a) of this section if ANY OF*
 23 *the county's income tax [rate was] RATES WERE less than 2.6%:*

24 *(1) for the taxable year that ended in the second prior fiscal year; or*

25 *(2) for any subsequent taxable year through the taxable year that ends in*
 26 *the current fiscal year.*

27 *(c) (1) For each fiscal year, the Comptroller shall determine for each county:*

28 *(i) the county income tax collected from individuals for the taxable*
 29 *year that ended in the second prior fiscal year, based on tax returns filed through November*
 30 *1 of the year following the applicable taxable year; and*

31 *(ii) the amount of county income tax that the county would have*
 32 *received if the county income tax rate was 2.54%.*

33 *(2) For each fiscal year, the Comptroller shall determine as rounded to the*
 34 *nearest cent:*

1 (i) the per capita yield of the county income tax for each county, based
2 on:

3 1. the population of the county as last projected by the
4 Maryland Department of Health for July 1 of the applicable taxable year or the latest
5 decennial census for the applicable taxable year; and

6 2. the amount specified in paragraph (1)(ii) of this subsection;
7 and

8 (ii) the per capita statewide yield of the county income tax, based on:

9 1. the State population as last projected by the Maryland
10 Department of Health for July 1 of the applicable taxable year or the latest decennial census
11 for the applicable taxable year; and

12 2. the amount of county income tax specified in paragraph
13 (1)(ii) of this subsection for all counties.

14 (3) If the per capita yield of the county income tax for a county determined
15 under paragraph (2)(i) of this subsection is less than 75% of the per capita statewide yield of
16 the county income tax determined under paragraph (2)(ii) of this subsection, the Comptroller
17 shall determine the amount that would increase the county per capita yield to equal 75% of
18 the statewide per capita yield, as rounded to the nearest dollar.

19 (d) The Comptroller shall pay to an eligible county the amount determined under
20 subsection (c)(3) of this section in quarterly payments during each fiscal year.

21 (e) (1) Except as provided in [paragraph (2)] **PARAGRAPHS (2) AND (3)** of this
22 subsection, for fiscal year 2011 and each subsequent fiscal year, the distribution provided to
23 any county or Baltimore City under this section may not exceed the amount distributed to
24 the county or Baltimore City for fiscal year 2010.

25 (2) (i) **THIS PARAGRAPH APPLIES TO A COUNTY OR BALTIMORE**
26 **CITY IF THE COUNTY OR BALTIMORE CITY HAS A SINGLE COUNTY INCOME TAX RATE.**

27 (II) If a county or Baltimore City has a county income tax rate of at
28 least 2.8% but less than 3%, the county or Baltimore City may receive a minimum of 20% of
29 the amount determined under subsection (c)(3) of this section.

30 [(ii)] (III) If a county or Baltimore City has a county income tax rate
31 of at least 3% but less than 3.2%, the county or Baltimore City may receive a minimum of
32 40% of the amount determined under subsection (c)(3) of this section.

1 [(iii)] (IV) If a county or Baltimore City has a county income tax rate
 2 of at least 3.2%:

3 1. on or before June 30, 2017, the county or Baltimore City
 4 may receive a minimum of 60% of the amount determined under subsection (c)(3) of this
 5 section;

6 2. in fiscal year 2018, the county or Baltimore City may
 7 receive a minimum of 63.75% of the amount determined under subsection (c)(3) of this
 8 section;

9 3. in fiscal years 2019, 2020, and 2021, the county or
 10 Baltimore City may receive a minimum of 67.5% of the amount determined under subsection
 11 (c)(3) of this section; and

12 4. in fiscal year 2022, and each fiscal year thereafter, the
 13 county or Baltimore City may receive a minimum of 75% of the amount determined under
 14 subsection (c)(3) of this section.

15 **(3) (I) THIS PARAGRAPH APPLIES TO A COUNTY OR BALTIMORE**
 16 **CITY IF THE COUNTY OR BALTIMORE CITY HAS MORE THAN ONE COUNTY INCOME**
 17 **TAX RATE.**

18 **(II) IF EACH COUNTY INCOME TAX RATE IMPOSED BY A COUNTY**
 19 **OR BALTIMORE CITY IS AT LEAST 2.8% BUT LESS THAN 3.0%, THE COUNTY OR**
 20 **BALTIMORE CITY MAY RECEIVE A MINIMUM OF 20% OF THE AMOUNT DETERMINED**
 21 **UNDER SUBSECTION (C)(3) OF THIS SECTION.**

22 **(III) IF THE LOWEST COUNTY INCOME TAX RATE IMPOSED BY A**
 23 **COUNTY OR BALTIMORE CITY IS AT LEAST 2.9% AND EACH COUNTY INCOME TAX**
 24 **RATE IMPOSED ON MARYLAND TAXABLE INCOME GREATER THAN \$100,000 IS AT**
 25 **LEAST 3.0%, THE COUNTY OR BALTIMORE CITY MAY RECEIVE A MINIMUM OF 40% OF**
 26 **THE AMOUNT DETERMINED UNDER SUBSECTION (C)(3) OF THIS SECTION.**

27 **(IV) IF THE LOWEST COUNTY INCOME TAX RATE IMPOSED BY A**
 28 **COUNTY OR BALTIMORE CITY IS AT LEAST 3.1% AND EACH COUNTY INCOME TAX**
 29 **RATE IMPOSED ON MARYLAND TAXABLE INCOME GREATER THAN \$100,000 IS AT**
 30 **LEAST 3.2%, THE COUNTY OR BALTIMORE CITY MAY RECEIVE A MINIMUM OF 75% OF**
 31 **THE AMOUNT DETERMINED UNDER SUBSECTION (C)(3) OF THIS SECTION.**

32 Article – Tax – General

1 (a) (1) Each county shall set, by ordinance or resolution, a county income tax
 2 equal to at least [1%] **2.25%** but not more than the percentage of an individual's Maryland
 3 ~~taxable income as follows:~~

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

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

8 ~~(iii) 3.20% OF AN INDIVIDUAL'S MARYLAND TAXABLE INCOME for~~
 9 ~~a taxable year beginning after December 31, 2001, BUT BEFORE JANUARY 1, 2022; AND~~

10 ~~(H) 3.5% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER~~
 11 ~~31, 2021.~~

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

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

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

19 1. notice of the public hearing; and

20 2. a fair summary of the proposed act, ordinance, or
 21 resolution to increase the county income tax rate above 2.6%.

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

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

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

28 (2) give the Comptroller notice of the rate **OR INCOME BRACKET** change
 29 and the effective date of the rate **OR INCOME BRACKET** change on or before July 1 prior to
 30 its effective date.

1 **(C) (1) FOR ANY COUNTY INCOME TAX RATE THAT IS EFFECTIVE ON OR**
2 **AFTER JANUARY 1, 2022, THE COUNTY MAY APPLY THE COUNTY INCOME TAX ON A**
3 **BRACKET BASIS.**

4 **(2) A COUNTY THAT IMPOSES THE COUNTY INCOME TAX ON A**
5 **BRACKET BASIS:**

6 **(I) SHALL SET, BY ORDINANCE OR RESOLUTION, THE INCOME**
7 **BRACKETS THAT APPLY TO EACH INCOME TAX RATE;**

8 **(II) MAY SET INCOME BRACKETS THAT DIFFER FROM THE**
9 **INCOME BRACKETS TO WHICH THE STATE INCOME TAX APPLIES;**

10 **(III) MAY NOT SET A MINIMUM INCOME TAX RATE LESS THAN**
11 **2.25% OF AN INDIVIDUAL'S MARYLAND TAXABLE INCOME; AND**

12 **(IV) MAY NOT APPLY AN INCOME TAX RATE TO A HIGHER INCOME**
13 **BRACKET THAT IS LESS THAN THE INCOME TAX RATE APPLIED TO A LOWER INCOME**
14 **BRACKET.**

15 **(3) A COUNTY MAY REQUEST INFORMATION FROM THE**
16 **COMPTROLLER TO ASSIST THE COUNTY IN DETERMINING INCOME BRACKETS AND**
17 **APPLICABLE INCOME TAX RATES THAT ARE REVENUE-NEUTRAL FOR THE COUNTY.**

18 ~~**(D) A COUNTY MAY SET AN INCOME TAX RATE THAT IS GREATER THAN 3.2%**~~
19 ~~**ONLY ON MARYLAND TAXABLE INCOME THAT IS IN EXCESS OF TWO TIMES THE**~~
20 ~~**MAXIMUM INCOME TAX BRACKET THRESHOLD ESTABLISHED UNDER:**~~

21 ~~**(1) § 10-105(A)(1) OF THIS SUBTITLE FOR INDIVIDUALS OTHER THAN**~~
22 ~~**AN INDIVIDUAL DESCRIBED IN ITEM (2) OF THIS SUBSECTION; AND**~~

23 ~~**(2) § 10-105(A)(2) OF THIS SUBTITLE FOR SPOUSES FILING A JOINT**~~
24 ~~**RETURN OR FOR A SURVIVING SPOUSE OR HEAD OF HOUSEHOLD AS DEFINED IN § 2**~~
25 ~~**OF THE INTERNAL REVENUE CODE.**~~

26 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June
27 1, 2021, and shall be applicable to all taxable years beginning after December 31, 2021.