

SENATE BILL 133

Q3
HB 1494/20 – W&M

(PRE-FILED)

11r0854
CF HB 319

By: **Senator Rosapepe**

Requested: October 5, 2020

Introduced and read first time: January 13, 2021

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 2, 2021

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

19 BY repealing and reenacting, with amendments,

20 Article – Local Government

21 Section 16–501

22 Annotated Code of Maryland

23 (2013 Volume and 2020 Supplement)

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.



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

BY repealing and reenacting, with amendments,
Article – Tax – General
Section 10–106
Annotated Code of Maryland
(2016 Replacement Volume and 2020 Supplement)

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

Article – Local Government

16–501.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27 **Article – Tax – General**

28 10–106.

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

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

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

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

5 ~~(H) 3.5% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER~~
6 ~~31, 2021.~~

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

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

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

14 1. notice of the public hearing; and

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

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

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

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

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

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

29 **(2) A COUNTY THAT IMPOSES THE COUNTY INCOME TAX ON A**
30 **BRACKET BASIS:**

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

1 (II) MAY SET INCOME BRACKETS THAT DIFFER FROM THE
2 INCOME BRACKETS TO WHICH THE STATE INCOME TAX APPLIES;

3 (III) MAY NOT SET A MINIMUM INCOME TAX RATE LESS THAN
4 2.25% OF AN INDIVIDUAL'S MARYLAND TAXABLE INCOME; AND

5 (IV) MAY NOT APPLY AN INCOME TAX RATE TO A HIGHER INCOME
6 BRACKET THAT IS LESS THAN THE INCOME TAX RATE APPLIED TO A LOWER INCOME
7 BRACKET.

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

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

14 ~~(1) § 10-105(A)(1) OF THIS SUBTITLE FOR INDIVIDUALS OTHER THAN~~
15 ~~AN INDIVIDUAL DESCRIBED IN ITEM (2) OF THIS SUBSECTION; AND~~

16 ~~(2) § 10-105(A)(2) OF THIS SUBTITLE FOR SPOUSES FILING A JOINT~~
17 ~~RETURN OR FOR A SURVIVING SPOUSE OR HEAD OF HOUSEHOLD AS DEFINED IN § 2~~
18 ~~OF THE INTERNAL REVENUE CODE.~~

19 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June
20 1, 2021, and shall be applicable to all taxable years beginning after December 31, 2021.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.