

BY: Committee on Ways and Means

AMENDMENTS TO HOUSE BILL NO. 921

(First Reading File Bill)

AMENDMENT NO. 1

On page 1, in the sponsor line, strike “and Fry” and substitute “, Fry, Healey, Bonsack, Bozman, Cryor, and Shriver”; in line 5, after “county;” insert “requiring certain notice to municipal corporations in a county under certain circumstances; altering the calculation of the county income tax; altering the application of the earned income credit to the county income tax; altering a requirement that the Comptroller prepare certain income tax tables; altering certain requirements for withholding from certain payments;”; in line 6, strike “and”; in line 7, after “Act” insert “; and generally relating to State and county income taxes”; in line 10, after “Section” insert “2-106,”; in the same line, strike “and 10-106” and substitute “, 10-106, 10-604, 10-704, and 10-908(e)”; and after line 12, insert:

“BY repealing

Article - Tax - General

Section 10-706

Annotated Code of Maryland

(1988 Volume and 1995 Supplement)

BY adding to

Article - Tax - General

Section 10-706

Annotated Code of Maryland

(1988 Volume and 1995 Supplement)”.

AMENDMENT NO. 2

On page 1, after line 15, insert:

(Over)

“2-106.

(a) (1) In this section the following words have the meanings indicated.

(2) “Nonresident” has the meaning stated in § 10-101 of this article.

(3) “Resident” has the meaning stated in § 10-101 of this article.

(4) “Wages” has the meaning stated in § 10-905(e-1) of this article.

(b) (1) The Comptroller shall prepare income tax tables to show the income tax for an individual.

(2) The Comptroller shall prepare tables based on Maryland taxable income that provide for:

(i) income intervals not exceeding \$100 for Maryland taxable income; [and]

(ii) the State income tax due for each income interval; AND

(III) THE COUNTY INCOME TAX DUE FOR EACH INCOME INTERVAL.

(3) The [State] income tax for each interval is the whole dollar amount of tax for the income that is at the midway point of the interval.

(c) (1) The Comptroller shall prepare income tax withholding tables that show the income tax to be withheld from wages. The Comptroller may prepare separate tables for residents and nonresidents.

(2) The withholding tables shall provide for:

(i) wages for each withholding period allowable under § 10-909 of this article;

and

(ii) the [State] income tax required to be withheld for a withholding period,

after:

1. an adjustment is made for the exemptions for the period; and

2. if there is a separate table for nonresidents, an adjustment is made to allow the exhaustion of exemptions for a nonresident before any income tax is withheld.

(3) The total amounts required under the tables to be withheld during a taxable year shall approximate, as closely as possible, the total [State] income tax due on the wages for the year.

(d) (1) The Comptroller may prepare income tax percentage withholding schedules that show the percent of income tax to be withheld from wages. The Comptroller may prepare separate schedules for residents and nonresidents.

(2) The optional percentage withholding schedules shall provide for:

(i) wages for each withholding period allowable under § 10-909 of this article;

and

(ii) the percent of [State] income tax required to be withheld for the withholding period, after:

1. an adjustment is made for the exemptions for the period; and

2. if there is a separate schedule for nonresidents, an adjustment is made to allow the exhaustion of exemptions for a nonresident before any income tax is withheld.

(3) The total percentages required under the schedules to be withheld during a taxable year shall approximate, as closely as possible, the [State] income tax due on the wages for the year.

(e) At the option of the employer, withholdings may be made using either the withholding tables or the percentage withholding schedule.”;

(Over)

and strike beginning with “measured” in line 17 down through “tax” in line 18, and substitute “ON THE MARYLAND TAXABLE INCOME”.

AMENDMENT NO. 3

On page 2, in line 9, after “a” insert “TOP MARGINAL”; in line 10, after “tax” insert “RATE”; strike beginning with “60%” in line 10 down through “individual” in line 11 and substitute “3% OF MARYLAND TAXABLE INCOME”; in line 12, after “A” insert “TOP MARGINAL”; in line 14, after “its” insert “TOP MARGINAL”; in lines 14 and 21, in each instance, strike “50%” and substitute “2.5%”; after line 24, insert:

“(B) THE COUNTY INCOME TAX RATE IS:

(1) 40% OF THE TOP MARGINAL COUNTY INCOME TAX RATE FOR MARYLAND TAXABLE INCOME OF \$1 THROUGH \$1,000;

(2) 60% OF THE TOP MARGINAL COUNTY INCOME TAX RATE FOR MARYLAND TAXABLE INCOME OF \$1,001 THROUGH \$2,000;

(3) 80% OF THE TOP MARGINAL COUNTY INCOME TAX RATE FOR MARYLAND TAXABLE INCOME OF \$2,001 THROUGH \$3,000; AND

(4) THE TOP MARGINAL COUNTY INCOME TAX RATE FOR MARYLAND TAXABLE INCOME IN EXCESS OF \$3,000.”;

in line 25, strike “(b)” and substitute “(C)”; in the same line, strike “(c)” and substitute “(D)”; in the same line, after “its” insert “TOP MARGINAL”; in line 27, strike “5 percentage points” and substitute “ONE-QUARTER OF A PERCENTAGE POINT”; in line 31, strike “(c)” and substitute “(D)”; in lines 31 and 32, in each instance, strike “50%” and substitute “2.5%”; in line 32, strike “2 percentage points” and substitute “ONE-TENTH OF A PERCENTAGE POINT”; and strike beginning with “5” in line 32 down through “50%” in line 33 and substitute “ONE-QUARTER OF A PERCENTAGE POINT ABOVE 2.5%”.

AMENDMENT NO. 4

On page 2, after line 33, insert:

“(E) IF THE GOVERNING BODY OF A COUNTY PROPOSES LOCAL LEGISLATION TO REPEAL ITS COUNTY INCOME TAX, AT LEAST 60 DAYS PRIOR TO TAKING FORMAL ACTION, THE GOVERNING BODY OF THE COUNTY SHALL NOTIFY EACH OF THE MUNICIPAL CORPORATIONS WITHIN THE COUNTY IN WRITING.

10-604.

(A) [An] EXCEPT AS OTHERWISE PROVIDED IN THIS SUBTITLE, AN individual shall compute the county income tax by applying the county tax rate [to the State income tax computed under § 10-601 or § 10-602 of this subtitle, as modified by the credits allowed under Subtitle 7 of this title against the county income tax] IN § 10-106 OF THIS TITLE TO MARYLAND TAXABLE INCOME.

(B) THE COUNTY INCOME TAX SHALL BE SHOWN AS A SEPARATE ITEM ON THE TAX FORM.

10-704.

(a) (1) An individual may claim a credit against the STATE income tax for a taxable year in the amount determined under [subsection (b)] SUBSECTION (B)(1) of this section for earned income.

(2) AN INDIVIDUAL MAY CLAIM A CREDIT AGAINST THE COUNTY INCOME TAX FOR A TAXABLE YEAR IN THE AMOUNT DETERMINED UNDER SUBSECTION (B)(2) OF THIS SECTION FOR EARNED INCOME.

(b) (1) Except as provided in paragraph [(2)] (3) of this subsection, the credit allowed AGAINST THE STATE INCOME TAX under [subsection (a)] SUBSECTION (A)(1) of this section is the lesser of:

(Over)

(i) 50% of the earned income credit allowable for the taxable year under § 32 of the Internal Revenue Code; or

(ii) the State income tax for the taxable year.

(2) EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, THE CREDIT ALLOWED AGAINST THE COUNTY INCOME TAX UNDER SUBSECTION (A)(2) OF THIS SECTION IS THE LESSER OF:

(I) THE EARNED INCOME CREDIT ALLOWABLE FOR THE TAXABLE YEAR UNDER § 32 OF THE INTERNAL REVENUE CODE MULTIPLIED TIMES THE PRODUCT OF MULTIPLYING THE TOP MARGINAL COUNTY INCOME TAX RATE UNDER § 10-106 OF THIS TITLE TIMES 10; OR

(II) THE COUNTY INCOME TAX FOR THE TAXABLE YEAR.

[(2)] (3) An individual who files an income tax return for a period of less than 1 year is allowed from the amount under [paragraph (1) of] this subsection, a fraction:

(i) the numerator of which is the number of months that the return covers; and

(ii) the denominator of which is 12.

[10-706.

(a) (1) A credit under § 10-701 of this subtitle is allowed against the total county and State income taxes.

(2) The county income tax is based on the amount of State income tax before the State income tax is reduced by the credit.

(b) (1) A credit under § 10-701.1, § 10-702, § 10-703, § 10-703.1, § 10-704.1, § 10-704.2, or § 10-704.3 of this subtitle is allowed against only the State income tax.

(2) The county income tax is based on the amount of State income tax before the State income tax is reduced by the credit.

(c) (1) A credit under § 10-704 of this subtitle:

(i) is allowed only against the State income tax; and

(ii) operates to reduce the county income tax.

(2) The county income tax is based on the amount of State income tax after the State income tax is reduced by the credit.]

10-706.

(A) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, A CREDIT ALLOWED UNDER THIS SUBTITLE IS ALLOWED AGAINST THE STATE INCOME TAX ONLY.

(B) A CREDIT UNDER § 10-701 OF THIS SUBTITLE IS ALLOWED AGAINST THE TOTAL COUNTY AND STATE INCOME TAXES.

(C) (1) A CREDIT UNDER § 10-704(A)(1) OF THIS SUBTITLE IS ALLOWED AGAINST THE STATE INCOME TAX ONLY.

(2) A CREDIT UNDER § 10-704(A)(2) OF THIS SUBTITLE IS ALLOWED AGAINST THE COUNTY INCOME TAX ONLY.

10-908.

(e) The Board of Trustees of the State Retirement and Pension System shall withhold from a payment of a death benefit to a resident payee the sum of:

(1) 5% of the payment; and

(Over)

(2) the TOP MARGINAL county income tax rate applied to [5% of] the payment.”.