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Introduced and read first time: January 31, 1996
Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Reduction**

3 FOR the purpose of altering a certain tax rate under the Maryland income tax on
4 individuals; altering the maximum amount of a certain subtraction modification for
5 two-income married couples filing joint returns; altering the amount that an
6 individual may deduct for certain exemptions to determine Maryland taxable
7 income; altering the calculation of the county income tax; providing for the
8 application of this Act; and generally relating to the Maryland income tax.

9 BY repealing and reenacting, with amendments,
10 Article - Tax - General
11 Section 10-105(a), 10-106(a)(1), 10-207(r), 10-211, and 10-604
12 Annotated Code of Maryland
13 (1988 Volume and 1995 Supplement)

14 BY adding to
15 Article - Tax - General
16 Section 10-106(d)
17 Annotated Code of Maryland
18 (1988 Volume and 1995 Supplement)

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

21 **Article - Tax - General**

22 10-105.

23 (a) The State income tax rate for an individual is:

24 (1) [2%] 0% of Maryland taxable income of \$1 through \$1,000;

25 (2) 3% of Maryland taxable income of \$1,001 through \$2,000;

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1 (3) 4% of Maryland taxable income of \$2,001 through \$3,000; and

2 (4) 5% of Maryland taxable income in excess of \$3,000.

3 10-106.

4 (a) (1) Each county shall set, by ordinance or resolution, a county income tax
5 equal to at least 20% but not more than 60%, to be applied to the State income tax for an
6 individual, MODIFIED AS PROVIDED UNDER SUBSECTION (D) OF THIS SECTION.

7 (D) FOR PURPOSES OF CALCULATING THE COUNTY INCOME TAX, THE STATE
8 INCOME TAX SHALL BE DETERMINED BY:

9 (1) USING A STATE TAX RATE OF 2% INSTEAD OF 0% FOR MARYLAND
10 TAXABLE INCOME OF \$1 THROUGH \$1,000;

11 (2) ALLOWING A MAXIMUM OF \$1,200 INSTEAD OF \$1,600 FOR THE
12 SUBTRACTION MODIFICATION FOR TWO-INCOME MARRIED COUPLES UNDER §
13 10-207(R) OF THIS TITLE; AND

14 (3) ALLOWING \$1,200 INSTEAD OF \$2,200 FOR EACH EXEMPTION
15 ALLOWED UNDER § 10-211(1) AND (2) OF THIS TITLE.

16 10-207.

17 (r) (1) In this subsection, "modified Maryland adjusted gross income" means
18 Maryland adjusted gross income determined separately for each spouse on a joint return
19 without regard to the subtraction allowed under this subsection.

20 (2) For a two-income married couple filing a joint return, the subtraction
21 under subsection (a) of this section includes the lesser of:

22 (i) [\$1,200] \$1,600; or

23 (ii) the modified Maryland adjusted gross income of the spouse with
24 the lesser modified Maryland adjusted gross income for the taxable year.

25 10-211.

26 Whether or not a federal return is filed, to determine Maryland taxable income, an
27 individual other than a fiduciary may deduct as an exemption:

28 (1) [\$1,200] \$2,200 for each exemption that the individual may deduct in the
29 taxable year to determine federal taxable income under § 151 of the Internal Revenue
30 Code;

31 (2) an additional [\$1,200] \$2,200 for each dependent, as defined in § 152 of
32 the Internal Revenue Code, who is at least 65 years old on the last day of the taxable year;

33 (3) an additional \$1,000 if the individual, on the last day of the taxable year,
34 is at least 65 years old; and

35 (4) an additional \$1,000 if the individual, on the last day of the taxable year,
36 is a blind individual, as described in § 10-208(c) of this subtitle.

37 10-604.

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1 An individual shall compute the county income tax by applying the county tax rate
2 to the State income tax computed under § 10-601 or § 10-602 of this subtitle[,].

3 (1) AS DETERMINED UNDER § 10-106(D) OF THIS TITLE; AND

4 (2) as modified by the credits allowed under Subtitle 7 of this title against
5 the county income tax.

6 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
7 July 1, 1996 and shall be applicable to all taxable years beginning after December 31,
8 1996.