

---

**By: Delegates Bobo and Fry, Fry, Healey, Bonsack, Bozman, Cryor, and Shriver**

Introduced and read first time: February 2, 1996

Assigned to: Ways and Means

---

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 19, 1996

---

CHAPTER \_\_\_\_

1 AN ACT concerning

2 **County Income Tax**

3 FOR the purpose of authorizing, rather than requiring, the counties including Baltimore

4 City to have a county income tax measured by the State income tax of residents

5 domiciled or maintaining a principal residence or place of abode in the county;

6 requiring certain notice to municipal corporations in a county under certain

7 circumstances; altering the calculation of the county income tax; altering the

8 application of the earned income credit to the county income tax; altering a

9 requirement that the Comptroller prepare certain income tax tables; altering certain

10 requirements for withholding from certain payments; repealing the minimum rate

11 applicable to the county income tax; and providing for the application of this Act;

12 and generally relating to State and county income taxes.

13 BY repealing and reenacting, with amendments,

14 Article - Tax - General

15 Section 2-106, 10-103 and 10-106, 10-106, 10-604, 10-704, and 10-908(e)

16 Annotated Code of Maryland

17 (1988 Volume and 1995 Supplement)

18 BY repealing

19 Article - Tax - General

20 Section 10-706

21 Annotated Code of Maryland

22 (1988 Volume and 1995 Supplement)

23 BY adding to

24 Article - Tax - General

2

1 Section 10-706  
2 Annotated Code of Maryland  
3 (1988 Volume and 1995 Supplement)

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

6 **Article - Tax - General**

7 2-106.

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

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

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

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

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

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

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

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

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

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

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

25 (2) The withholding tables shall provide for:

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

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

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

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

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

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

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

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

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

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

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

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

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

21 10-103.

22                   (a) Each county [shall] MAY have a county income tax ~~measured by the State~~  
23 ~~income tax~~ ON THE MARYLAND TAXABLE INCOME of:

24                                 (1) each resident, other than a fiduciary, who on the last day of the taxable  
25 year:

26   (i) is domiciled in the county; or

27   (ii) maintains a principal residence or a place of abode in the county;

28                                 (2) each personal representative of an estate if the decedent was domiciled  
29 in the county on the date of the decedent's death;

30                                 (3) each resident fiduciary of:

31   (i) a trust that is principally administered in the county; or

32   (ii) a trust that is otherwise principally connected to the county and is  
33 not principally administered in the State; and

34                                 (4) except as provided in § 10-806(c) of this title, a nonresident who derives  
35 income from salary, wages, or other compensation for personal services for employment  
36 in the county.

4

1 (b) Except for the county income tax, a county, municipal corporation, special  
2 taxing district, or other political subdivision may not impose a general local income,  
3 earnings, or payroll tax, a general occupational license tax, or a general license or permit  
4 tax based on income, earnings, or gross receipts.

5 10-106.

6 (a) (1) Each county [shall] MAY set, by ordinance or resolution, a TOP  
7 MARGINAL county income tax RATE [equal to at least 20% but not more than] NOT TO  
8 EXCEED ~~60%~~, ~~to be applied to the State income tax for an individual~~ 3% OF MARYLAND  
9 TAXABLE INCOME.

10 (2) A TOP MARGINAL county income tax rate continues until the county  
11 changes the rate by ordinance or resolution.

12 (3) (i) A county may not increase its TOP MARGINAL county income tax  
13 rate above ~~50%~~ 2.5% until after the county has held a public hearing on the proposed act,  
14 ordinance, or resolution to increase the rate.

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

- 17 1. notice of the public hearing; and
- 18 2. a fair summary of the proposed act, ordinance, or resolution  
19 to increase the county income tax rate above ~~50%~~ 2.5%.

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

23 (B) THE COUNTY INCOME TAX RATE IS:

24 (1) 40% OF THE TOP MARGINAL COUNTY INCOME TAX RATE FOR  
25 MARYLAND TAXABLE INCOME OF \$1 THROUGH \$1,000;

26 (2) 60% OF THE TOP MARGINAL COUNTY INCOME TAX RATE FOR  
27 MARYLAND TAXABLE INCOME OF \$1,001 THROUGH \$2,000;

28 (3) 80% OF THE TOP MARGINAL COUNTY INCOME TAX RATE FOR  
29 MARYLAND TAXABLE INCOME OF \$2,001 THROUGH \$3,000; AND

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

32 ~~(b)~~ (C) Except as provided in subsection ~~(e)~~ (D) of this section, if a county  
33 changes its TOP MARGINAL county income tax rate, the county shall:

34 (1) increase or decrease the rate in increments of ~~5 percentage points~~  
35 ONE-QUARTER OF A PERCENTAGE POINT, effective on January 1 of the year that the  
36 county designates; and

37 (2) give the Comptroller notice of the rate change and the effective date of  
38 the rate change on or before July 1 prior to its effective date.

5

1           ~~(D)~~ (D) A county income tax rate in excess of ~~50%~~ 2.5% at the option of the  
2 county may be a multiple of ~~2-percentage points~~ ONE-TENTH OF A PERCENTAGE POINT  
3 above ~~50%~~ 2.5% instead of a multiple of ~~5-percentage points above 50%~~ ONE-QUARTER  
4 OF A PERCENTAGE POINT ABOVE 2.5%.

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

9 10-604.

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

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

17 10-704.

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

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

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

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

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

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

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

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

38                     [(2)] (3) An individual who files an income tax return for a period of less  
39 than 1 year is allowed from the amount under [paragraph (1) of] this subsection, a  
40 fraction:

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

3 (ii) the denominator of which is 12.

4 10-706.

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

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

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

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

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

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

15 (ii) operates to reduce the county income tax.

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

18 10-706.

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

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

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

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

27 10-908.

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

30 (1) 5% of the payment; and

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

33 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
34 July 1, 1996 and shall be applicable to all taxable years beginning after December 31,  
35 1996.

