

BY: Committee on Ways and Means

AMENDMENTS TO HOUSE BILL NO. 511

(First Reading File Bill)

AMENDMENT NO. 1

On page 1, in line 7, after “payments;” insert “altering the calculation of a certain required distribution of income tax revenues to certain special taxing districts and municipal corporations; providing an addition modification under certain circumstances relating to certain changes to the Internal Revenue Code; reducing the amount allowed for personal exemptions under certain circumstances; establishing a Task Force on Maryland’s Fiscal Structure; establishing the membership, duties, purposes, and staffing of the Task Force; requiring the Task Force to submit a certain report to certain persons by certain dates; providing for the termination of the Task Force; requiring the General Assembly to make a certain determination; allowing an individual a credit against the State income tax in certain amounts for each child under a certain age for whom the individual is allowed to deduct an exemption; providing for certain per child credit amounts based on an individual's federal adjusted gross income; making the credit refundable under certain circumstances; providing a certain prorated credit for nonresidents and individuals filing returns for a period of less than 1 year;”.

AMENDMENT NO. 2

On page 1, in line 12, after “2-106,” insert “2-607,”; in the same line, after “10-106,” insert “10-211,”; and after line 15, insert:

“BY repealing and reenacting, without amendments,

Article - Tax - General

Section 10-204(a)

Annotated Code of Maryland

(1988 Volume and 1996 Supplement)

BY adding to

Article - Tax - General

(Over)

Section 10-204(h), 10-224, and 10-708  
Annotated Code of Maryland  
(1988 Volume and 1996 Supplement)”.

AMENDMENT NO. 3

On page 3, after line 5, insert:

“2-607.

(a) After making the distributions required under §§ 2-604 through 2-606 of this subtitle, from the remaining income tax revenue from individuals, the Comptroller shall distribute to each special taxing district that received an income tax revenue distribution in fiscal year 1977 and to each municipal corporation an amount that, based on the certification of the Comptroller as to State income tax liability and county income tax liability of the residents of the district or municipal corporation, equals the greater of:

(1) [8.5% of the State income tax liability of those residents;

(2)] SUBJECT TO SUBSECTION (B) OF THIS SECTION, 17% of the county income tax liability of those residents; or

[(3)] (2) 0.37% of the Maryland taxable income of those residents.

(B) IF THE TOP MARGINAL COUNTY INCOME TAX RATE FOR A COUNTY IS LESS THAN 2.5%, THE AMOUNT DETERMINED UNDER SUBSECTION (A)(1) OF THIS SECTION SHALL BE MULTIPLIED BY A FRACTION:

(1) THE NUMERATOR OF WHICH IS 2.5%; AND

(2) THE DENOMINATOR OF WHICH IS THE TOP MARGINAL COUNTY INCOME TAX RATE FOR THE COUNTY.

[(b)] (C) The Comptroller shall adjust the amount distributed under subsection (a) of this section to a municipal corporation or special taxing district to allow for a proportionate part of refund and interest payments for a prior calendar year made after a distribution is made to the municipal corporation or district for that year. “.

AMENDMENT NO. 4

On page 4, in line 3, strike “4.85%” and substitute “4.9%”; in line 4, after “1999;” insert “AND”; strike in their entirety lines 5 and 6; in line 7, strike “(III)” and substitute “(II)”; in the same line, strike “4.50%” and substitute “4.8%”; and in line 8, strike “1999” and substitute “1998”.

AMENDMENT NO. 5

On page 5, after line 9, insert:

“10-204.

(a) To the extent excluded from federal adjusted gross income, the amounts under this section are added to the federal adjusted gross income of a resident to determine Maryland adjusted gross income.

(H)(1) THIS SUBSECTION APPLIES FOR ANY TAXABLE YEAR ONLY IF:

(I) ON OR AFTER JULY 1, 1997, THE INTERNAL REVENUE CODE IS AMENDED SO AS TO:

1. ALTER THE TREATMENT OF CAPITAL GAINS AND LOSSES UNDER THIS TITLE;

2. ALTER THE TREATMENT OF INDIVIDUAL RETIREMENT ACCOUNTS UNDER THIS TITLE OR ESTABLISH OR ALTER THE TREATMENT OF OTHER TAX-FAVORED SAVINGS ACCOUNTS; OR

3. ALTER THE TREATMENT OF HIGHER EDUCATION AND TRAINING EXPENSES UNDER THIS TITLE; AND

(II) ON OR BEFORE JULY 1 OF THE TAXABLE YEAR, THE COMPTROLLER DETERMINES THAT THE CHANGES TO THE INTERNAL REVENUE CODE DESCRIBED IN ITEM (I) OF THIS PARAGRAPH WILL HAVE A NET NEGATIVE

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EFFECT ON THE STATE'S INCOME TAX REVENUE FOR THAT TAXABLE YEAR.

(2) IF THIS SUBSECTION APPLIES FOR THE TAXABLE YEAR, THE ADDITION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES THE AMOUNT, IF ANY, BY WHICH THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME, DETERMINED IN ACCORDANCE WITH THE INTERNAL REVENUE CODE AS IT WAS IN EFFECT BEFORE THE EFFECTIVE DATE OF ANY CHANGE DESCRIBED IN PARAGRAPH (1) OF THIS SUBSECTION, EXCEEDS THE INDIVIDUAL'S ACTUAL FEDERAL ADJUSTED GROSS INCOME.

10-211.

(A) [Whether] SUBJECT TO SUBSECTION (B) OF THIS SECTION, WHETHER or not a federal return is filed, to determine Maryland taxable income, an individual other than a fiduciary may deduct as an exemption:

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

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

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

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

(B) (1) SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION, FOR PURPOSES OF DETERMINING THE STATE INCOME TAX OF AN INDIVIDUAL WHOSE FEDERAL ADJUSTED GROSS INCOME EXCEEDS THE APPLICABLE THRESHOLD AMOUNT DETERMINED UNDER PARAGRAPH (2) OF THIS SUBSECTION, THE AMOUNT OTHERWISE ALLOWED FOR EXEMPTIONS UNDER SUBSECTION (A) OF THIS SECTION SHALL BE REDUCED BY THE APPLICABLE PERCENTAGE DETERMINED UNDER PARAGRAPH (2) OF THIS SUBSECTION.

(2) (I) THE APPLICABLE THRESHOLD AMOUNT FOR PURPOSES OF THIS SUBSECTION IS:

1. \$150,000 FOR SPOUSES ON A JOINT RETURN OR FOR AN INDIVIDUAL DESCRIBED IN § 2 OF THE INTERNAL REVENUE CODE AS A HEAD OF HOUSEHOLD OR A SURVIVING SPOUSE;

2. \$75,000 FOR A MARRIED INDIVIDUAL FILING A SEPARATE RETURN; OR

3. \$100,000 FOR AN INDIVIDUAL OTHER THAN ONE DESCRIBED IN ITEM 1 OR 2 OF THIS SUBPARAGRAPH.

(II) THE APPLICABLE PERCENTAGE FOR PURPOSES OF THIS SUBSECTION IS THE LESSER OF:

1. 100%; OR

2. 2 PERCENTAGE POINTS FOR EACH \$2,500 (OR EACH \$1,250 FOR A MARRIED INDIVIDUAL FILING A SEPARATE RETURN), OR FRACTION THEREOF BY WHICH A TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME FOR A TAXABLE YEAR EXCEEDS THE APPLICABLE THRESHOLD AMOUNT.

(3) THE REDUCTION UNDER PARAGRAPH (1) OF THIS SUBSECTION MAY NOT INCREASE AN INDIVIDUAL'S STATE INCOME TAX TO AN AMOUNT GREATER THAN THE SUM OF:

(I) \$90; AND

(II) 5% OF THE AMOUNT BY WHICH THE INDIVIDUAL'S MARYLAND TAXABLE INCOME CALCULATED WITHOUT THE APPLICATION OF THIS SECTION EXCEEDS \$3,000.

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(4) THE REDUCTION UNDER PARAGRAPH (1) OF THIS SUBSECTION DOES NOT APPLY TO THE DETERMINATION OF THE COUNTY INCOME TAX. 10-224.

(A) THERE IS A TASK FORCE ON MARYLAND'S FISCAL STRUCTURE.

(B) THE TASK FORCE CONSISTS OF THE FOLLOWING 11 MEMBERS:

(1) THREE MEMBERS OF THE SENATE OF MARYLAND, APPOINTED BY THE PRESIDENT OF THE SENATE;

(2) THREE MEMBERS OF THE HOUSE OF DELEGATES, APPOINTED BY THE SPEAKER OF THE HOUSE; AND

(3) FIVE MEMBERS APPOINTED BY THE GOVERNOR.

(C) THE GOVERNOR SHALL SELECT A CHAIRMAN FROM THE MEMBERS OF THE TASK FORCE.

(D) THE GOVERNOR, IN APPOINTING INDIVIDUALS TO THE TASK FORCE, SHALL ENSURE THAT THE BUSINESS SECTOR, THE NONPROFIT SECTOR, AND LOCAL GOVERNMENT ARE REPRESENTED ON THE TASK FORCE.

(E) A MEMBER OF THE TASK FORCE:

(1) MAY NOT RECEIVE COMPENSATION; BUT

(2) IS ENTITLED TO REIMBURSEMENT FOR EXPENSES UNDER THE STANDARD STATE TRAVEL REGULATIONS AS PROVIDED IN THE STATE BUDGET.

(F) THE TASK FORCE SHALL EXAMINE THE FOLLOWING:

(1) THE PROJECTED GROWTH IN THE STATE AND NATIONAL

ECONOMIES;

(2) THE PROJECTED GROWTH IN REVENUES AND EXPENDITURES UNDER CURRENT LAW AND UNDER ALTERNATIVE REVENUE AND EXPENDITURE PROPOSALS;

(3) THE COMPETITIVENESS OF THE TAX STRUCTURE WITH RESPECT TO FUTURE ECONOMIC DEVELOPMENT; AND

(4) THE EQUITY OF THE TAX STRUCTURE.

(G) ON OR BEFORE FEBRUARY 15, 1999, THE TASK FORCE SHALL SUBMIT A FINAL REPORT TO THE GOVERNOR, AND, SUBJECT TO § 2-1312 OF THE STATE GOVERNMENT ARTICLE, TO THE GENERAL ASSEMBLY.

(H) THE DEPARTMENT OF FISCAL SERVICES SHALL PROVIDE PRIMARY STAFF SUPPORT TO THE TASK FORCE WITH ASSISTANCE FROM THE DEPARTMENT OF BUDGET AND MANAGEMENT AND THE BOARD OF REVENUE ESTIMATES.

(I) THE TASK FORCE SHALL TERMINATE AND THIS SECTION SHALL BE NULL AND VOID AFTER JUNE 30, 1999 WITH NO FURTHER ACTION REQUIRED BY THE GENERAL ASSEMBLY.”

On page 7, after line 9, insert:

“SECTION 4. AND BE IT FURTHER ENACTED, That the General Assembly at the 1999 legislative session shall review the report of the Task Force on Maryland’s Fiscal Structure and determine whether the General Fund appropriations for Fiscal Year 2000 and the General Fund appropriations projected for Fiscal Year 2001 and Fiscal Year 2002 can be accommodated within the level of General Fund revenues projected for those years. In making this determination, the General Assembly shall use the revenue forecasts of the Board of Revenue Estimates and the expenditure forecasts of the Department of Fiscal Services.”;

(Over)

and in line 10, strike "4." and substitute "5.".

AMENDMENT NO. 6

On page 6, after line 20, insert:

"10-708.

(A) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, AN INDIVIDUAL WHOSE FEDERAL ADJUSTED GROSS INCOME DOES NOT EXCEED \$45,000, OR \$22,500 IN THE CASE OF A MARRIED INDIVIDUAL FILING A SEPARATE RETURN, MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX FOR A TAXABLE YEAR IN AN AMOUNT EQUAL TO THE PER CHILD CREDIT AMOUNT SPECIFIED IN SUBSECTION (B) OF THIS SECTION FOR EACH CHILD UNDER THE AGE OF 18 YEARS FOR WHOM THE TAXPAYER IS ALLOWED TO DEDUCT AN EXEMPTION UNDER § 151 OF THE INTERNAL REVENUE CODE.

(B) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, THE CREDIT ALLOWED UNDER THIS SECTION IS:

(1) \$350 PER CHILD IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR THE TAXABLE YEAR DOES NOT EXCEED \$25,000;

(2) \$280 PER CHILD IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR THE TAXABLE YEAR IS GREATER THAN \$25,000 BUT DOES NOT EXCEED \$30,000;

(3) \$210 PER CHILD IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR THE TAXABLE YEAR IS GREATER THAN \$30,000 BUT DOES NOT EXCEED \$35,000;

(4) \$140 PER CHILD IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR THE TAXABLE YEAR IS GREATER THAN \$35,000 BUT DOES NOT EXCEED \$40,000; AND

(5) \$70 PER CHILD IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS



INCOME FOR THE TAXABLE YEAR IS GREATER THAN \$40,000 BUT DOES NOT EXCEED \$45,000.

(C) OF THE AMOUNT ALLOWED UNDER SUBSECTION (A) OF THIS SECTION:

(1) A NONRESIDENT IS ALLOWED A FRACTION:

(I) THE NUMERATOR OF WHICH IS THE MARYLAND ADJUSTED GROSS INCOME OF THE NONRESIDENT; AND

(II) THE DENOMINATOR OF WHICH IS THE FEDERAL ADJUSTED GROSS INCOME OF THE NONRESIDENT; AND

(2) AN INDIVIDUAL WHO FILES AN INCOME TAX RETURN FOR A PERIOD OF LESS THAN 1 YEAR IS ALLOWED A FRACTION:

(I) THE NUMERATOR OF WHICH IS THE NUMBER OF MONTHS THAT THE RETURN COVERS; AND

(II) THE DENOMINATOR OF WHICH IS 12.

(D) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE YEAR EXCEEDS THE STATE INCOME TAX OTHERWISE PAYABLE BY THE INDIVIDUAL FOR THAT TAXABLE YEAR, THE INDIVIDUAL MAY CLAIM A REFUND OF THE EXCESS AMOUNT.

(E) FOR PURPOSES OF DETERMINING THE APPLICABLE PER CHILD CREDIT AMOUNT FOR A MARRIED INDIVIDUAL WHO FILES A SEPARATE MARYLAND INCOME TAX RETURN, EACH OF THE FEDERAL ADJUSTED GROSS INCOME LIMITS SPECIFIED UNDER THIS SECTION SHALL BE DIVIDED BY 2.

(F) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 1997 BUT BEFORE JANUARY 1, 1999, INSTEAD OF THE PER CHILD CREDIT AMOUNT SPECIFIED UNDER

(Over)

SUBSECTION (B) OF THIS SECTION, THE CREDIT ALLOWED UNDER THIS SECTION IS:

(1) \$125 PER CHILD IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR THE TAXABLE YEAR DOES NOT EXCEED \$25,000;

(2) \$100 PER CHILD IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR THE TAXABLE YEAR IS GREATER THAN \$25,000 BUT DOES NOT EXCEED \$30,000;

(3) \$75 PER CHILD IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR THE TAXABLE YEAR IS GREATER THAN \$30,000 BUT DOES NOT EXCEED \$35,000;

(4) \$50 PER CHILD IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR THE TAXABLE YEAR IS GREATER THAN \$35,000 BUT DOES NOT EXCEED \$40,000; AND

(5) \$25 PER CHILD IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR THE TAXABLE YEAR IS GREATER THAN \$40,000 BUT DOES NOT EXCEED \$45,000.”.