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**By: Delegates Taylor, Rawlings, Owings, Harrison, E. Burns, Genn, Fry, Proctor, Howard, Dembrow, Valderrama, Minnick, Boston, Rudolph, Guns, Barve, Love, Dewberry, Curran, Vallario, Bozman, Dypski, Gordon, Weir, V. Mitchell, Mossburg, Hixson, Arnick, Hurson, Conway, Busch, Linton, Preis, Poole, Hecht, Heller, Morhaim, Donoghue, Frank, W. Baker, Franchot, DeCarlo, C. Davis, Wood, Krysiak, and Crumlin**

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Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 14, 1997

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CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Income Tax Reform**

3 FOR the purpose of altering a certain tax rate under the Maryland income tax on  
4 individuals; altering the calculation of the county income tax; altering a requirement  
5 that the Comptroller prepare certain income tax tables; altering the rate of a certain  
6 tax imposed on certain entities; altering certain requirements for withholding from  
7 certain payments; altering the calculation of a certain required distribution of  
8 income tax revenues to certain special taxing districts and municipal corporations;  
9 providing an addition modification under certain circumstances relating to certain  
10 changes to the Internal Revenue Code; reducing the amount allowed for personal  
11 exemptions under certain circumstances; establishing a Task Force on Maryland's  
12 Fiscal Structure; establishing the membership, duties, purposes, and staffing of the  
13 Task Force; requiring the Task Force to submit a certain report to certain persons  
14 by certain dates; providing for the termination of the Task Force; requiring the  
15 General Assembly to make a certain determination; allowing an individual a credit  
16 against the State income tax in certain amounts for each child under a certain age  
17 for whom the individual is allowed to deduct an exemption; providing for certain per  
18 child credit amounts based on an individual's federal adjusted gross income; making  
19 the credit refundable under certain circumstances; providing a certain prorated  
20 credit for nonresidents and individuals filing returns for a period of less than 1 year;  
21 requiring the Comptroller to issue certain income tax withholding tables reflecting  
22 the income tax rate reduction under this Act; providing for the application of this  
23 Act; and generally relating to State and county income taxes.

2

1 BY repealing and reenacting, with amendments,  
2 Article - Tax - General  
3 Section 2-106, 2-607, 10-102.1(d)(1), 10-103(a), 10-105(a), 10-106, 10-211,  
4 10-604, 10-704, 10-706, and 10-908(d) and (e)  
5 Annotated Code of Maryland  
6 (1988 Volume and 1996 Supplement)

7 BY repealing and reenacting, without amendments,  
8 Article - Tax - General  
9 Section 10-204(a)  
10 Annotated Code of Maryland  
11 (1988 Volume and 1996 Supplement)

12 BY adding to  
13 Article - Tax - General  
14 Section 10-204(h), 10-224, and 10-708  
15 Annotated Code of Maryland  
16 (1988 Volume and 1996 Supplement)

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

19 **Article - Tax - General**

20 2-106.

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

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

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

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

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

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

29 (i) income intervals not exceeding \$100 for Maryland taxable income;

30 [and]

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

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

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

3

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

4 (2) The withholding tables shall provide for:

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

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

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

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

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

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

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

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

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

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

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

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

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

33 2-607.

34 (a) After making the distributions required under §§ 2-604 through 2-606 of this  
35 subtitle, from the remaining income tax revenue from individuals, the Comptroller shall  
36 distribute to each special taxing district that received an income tax revenue distribution  
37 in fiscal year 1977 and to each municipal corporation an amount that, based on the

4

1 certification of the Comptroller as to State income tax liability and county income tax  
2 liability of the residents of the district or municipal corporation, equals the greater of:

3                   (1) [8.5% of the State income tax liability of those residents;

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

6                   ~~[(3)]~~ (2) 0.37% of the Maryland taxable income of those residents.

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

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

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

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

17 10-102.1.

18                   (d) (1) Except as provided in paragraph (2) of this subsection, the tax imposed  
19 under subsection (b) of this section is [5% of] THE TOP MARGINAL STATE TAX RATE  
20 FOR INDIVIDUALS UNDER § 10-105(A)(4) OF THIS SUBTITLE APPLIED TO:

21                   (i) the sum of each nonresident partner's distributive share of a  
22 partnership's nonresident taxable income;

23                   (ii) the sum of each nonresident shareholder's pro rata share of an S  
24 corporation's nonresident taxable income; or

25                   (iii) the sum of each nonresident member's distributive share of a  
26 limited liability company's nonresident taxable income.

27 10-103.

28                   (a) Each county shall have a county income tax [measured by the State income  
29 tax] ON THE MARYLAND TAXABLE INCOME of:

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

32                   (i) is domiciled in the county; or

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

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

36                   (3) each resident fiduciary of:

5

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

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

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

7 10-105.

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

9 (1) 2% of Maryland taxable income of \$1 through \$1,000;

10 (2) 3% of Maryland taxable income of \$1,001 through \$2,000;

11 (3) 4% of Maryland taxable income of \$2,001 through \$3,000; and

12 (4) [5% of] FOR Maryland taxable income in excess of \$3,000:

13 (I) ~~4.85%~~ 4.9% FOR A TAXABLE YEAR BEGINNING AFTER  
14 DECEMBER 31, 1997 BUT BEFORE JANUARY 1, 1999; AND

15 ~~(II) 4.70% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,~~  
16 ~~1998 BUT BEFORE JANUARY 1, 2000; AND~~

17 ~~(III) (II) 4.50%~~ 4.8% FOR A TAXABLE YEAR BEGINNING AFTER  
18 DECEMBER 31, ~~1999~~ 1998.

19 10-106.

20 (a) (1) Each county shall set, by ordinance or resolution, a TOP MARGINAL  
21 county income tax RATE equal to at least [20%] 1% but not more than [60%, to be  
22 applied to the State income tax for an individual] 3% OF MARYLAND TAXABLE  
23 INCOME.

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

26 (3) (i) A county may not increase its county income tax rate above [50%]  
27 2.5% until after the county has held a public hearing on the proposed act, ordinance, or  
28 resolution to increase the rate.

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

31 1. notice of the public hearing; and

32 2. a fair summary of the proposed act, ordinance, or resolution  
33 to increase the county income tax rate above [50%] 2.5%.

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

6

1 (B) THE COUNTY INCOME TAX RATE IS:

2 (1) 40% OF THE TOP MARGINAL COUNTY INCOME TAX RATE FOR  
3 MARYLAND TAXABLE INCOME OF \$1 THROUGH \$1,000;

4 (2) 60% OF THE TOP MARGINAL COUNTY INCOME TAX RATE FOR  
5 MARYLAND TAXABLE INCOME OF \$1,001 THROUGH \$2,000;

6 (3) 80% OF THE TOP MARGINAL COUNTY INCOME TAX RATE FOR  
7 MARYLAND TAXABLE INCOME OF \$2,001 THROUGH \$3,000; AND

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

10 [(b)] (C) Except as provided in subsection [(c)] (D) of this section, if a county  
11 changes its TOP MARGINAL county income tax rate, the county shall:

12 (1) increase or decrease the rate in increments of [5 percentage points]  
13 ONE-QUARTER OF A PERCENTAGE POINT, effective on January 1 of the year that the  
14 county designates; and

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

17 [(c)] (D) A county income tax rate in excess of [50%] 2.5% at the option of the  
18 county may be a multiple of [2 percentage points] ONE-TENTH OF A PERCENTAGE  
19 POINT above [50%] 2.5% instead of a multiple of [5 percentage points above 50%]  
20 ONE-QUARTER OF A PERCENTAGE POINT ABOVE 2.5%.

21 10-204.

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

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

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

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

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

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

35 (II) ON OR BEFORE JULY 1 OF THE TAXABLE YEAR, THE  
36 COMPTROLLER DETERMINES THAT THE CHANGES TO THE INTERNAL REVENUE  
37 CODE DESCRIBED IN ITEM (I) OF THIS PARAGRAPH WILL HAVE A NET NEGATIVE  
38 EFFECT ON THE STATE'S INCOME TAX REVENUE FOR THAT TAXABLE YEAR.

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

8 10-211.

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

12                   (1) \$1,200 for each exemption that the individual may deduct in the taxable  
13 year to determine federal taxable income under § 151 of the Internal Revenue Code;

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

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

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

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

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

29                                 1. \$150,000 FOR SPOUSES ON A JOINT RETURN OR FOR AN  
30 INDIVIDUAL DESCRIBED IN § 2 OF THE INTERNAL REVENUE CODE AS A HEAD OF  
31 HOUSEHOLD OR A SURVIVING SPOUSE;

32                                 2. \$75,000 FOR A MARRIED INDIVIDUAL FILING A SEPARATE  
33 RETURN; OR

34                                 3. \$100,000 FOR AN INDIVIDUAL OTHER THAN ONE  
35 DESCRIBED IN ITEM 1 OR 2 OF THIS SUBPARAGRAPH.

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

38                                 1. 100%; OR

39                                 2. 2 PERCENTAGE POINTS FOR EACH \$2,500 (OR EACH \$1,250  
40 FOR A MARRIED INDIVIDUAL FILING A SEPARATE RETURN), OR FRACTION

1 THEREOF BY WHICH A TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME FOR A  
2 TAXABLE YEAR EXCEEDS THE APPLICABLE THRESHOLD AMOUNT.

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

6 (I) \$90; AND

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

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

12 10-224.

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

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

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

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

19 (3) FIVE MEMBERS APPOINTED BY THE GOVERNOR.

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

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

25 (E) A MEMBER OF THE TASK FORCE:

26 (1) MAY NOT RECEIVE COMPENSATION; BUT

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

29 (F) THE TASK FORCE SHALL EXAMINE THE FOLLOWING:

30 (1) THE PROJECTED GROWTH IN THE STATE AND NATIONAL  
31 ECONOMIES;

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

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



1                   (4) THE EQUITY OF THE TAX STRUCTURE.

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

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

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

11 10-604.

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

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) 25% OF THE EARNED INCOME CREDIT ALLOWABLE FOR THE  
34 TAXABLE YEAR UNDER § 32 OF THE INTERNAL REVENUE CODE; OR

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

36                   [(2)] (3) An individual who files an income tax return for a period of less  
37 than 1 year is allowed from the amount under [paragraph (1) of] this subsection, a  
38 fraction:

10

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) Except as otherwise provided in this section[:

6 (1) , a credit allowed under this subtitle is allowed against the State income  
7 tax only [; and

8 (2) the county income tax is based on the State income tax before the State  
9 income tax is reduced by the credit].

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

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

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

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

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

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

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

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

23 10-708.

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

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

34 (1) \$350 PER CHILD IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS  
35 INCOME FOR THE TAXABLE YEAR DOES NOT EXCEED \$25,000;

11

1 (2) \$280 PER CHILD IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS  
2 INCOME FOR THE TAXABLE YEAR IS GREATER THAN \$25,000 BUT DOES NOT EXCEED  
3 \$30,000;

4 (3) \$210 PER CHILD IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS  
5 INCOME FOR THE TAXABLE YEAR IS GREATER THAN \$30,000 BUT DOES NOT EXCEED  
6 \$35,000;

7 (4) \$140 PER CHILD IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS  
8 INCOME FOR THE TAXABLE YEAR IS GREATER THAN \$35,000 BUT DOES NOT EXCEED  
9 \$40,000; AND

10 (5) \$70 PER CHILD IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS  
11 INCOME FOR THE TAXABLE YEAR IS GREATER THAN \$40,000 BUT DOES NOT EXCEED  
12 \$45,000.

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

14 (1) A NONRESIDENT IS ALLOWED A FRACTION:

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

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

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

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

23 (II) THE DENOMINATOR OF WHICH IS 12.

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

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

32 (F) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 1997 BUT  
33 BEFORE JANUARY 1, 1999, INSTEAD OF THE PER CHILD CREDIT AMOUNT SPECIFIED  
34 UNDER SUBSECTION (B) OF THIS SECTION, THE CREDIT ALLOWED UNDER THIS  
35 SECTION IS:

36 (1) \$125 PER CHILD IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS  
37 INCOME FOR THE TAXABLE YEAR DOES NOT EXCEED \$25,000;

12

1 (2) \$100 PER CHILD IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS  
2 INCOME FOR THE TAXABLE YEAR IS GREATER THAN \$25,000 BUT DOES NOT EXCEED  
3 \$30,000;

4 (3) \$75 PER CHILD IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS  
5 INCOME FOR THE TAXABLE YEAR IS GREATER THAN \$30,000 BUT DOES NOT EXCEED  
6 \$35,000;

7 (4) \$50 PER CHILD IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS  
8 INCOME FOR THE TAXABLE YEAR IS GREATER THAN \$35,000 BUT DOES NOT EXCEED  
9 \$40,000; AND

10 (5) \$25 PER CHILD IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS  
11 INCOME FOR THE TAXABLE YEAR IS GREATER THAN \$40,000 BUT DOES NOT EXCEED  
12 \$45,000.

13 10-908.

14 (d) A payor shall withhold from a payment subject to withholding of winnings  
15 derived from wagering:

16 (1) if the payee is a resident, [7.5% of] A RATE EQUAL TO THE SUM OF  
17 2.5% AND THE TOP MARGINAL STATE INCOME TAX RATE FOR INDIVIDUALS UNDER  
18 § 10-105(A)(4) OF THIS TITLE, APPLIED TO the payment; and

19 (2) if the payee is a nonresident, [5% of] THE TOP MARGINAL STATE  
20 INCOME TAX RATE FOR INDIVIDUALS UNDER § 10-105(A)(4) OF THIS TITLE, APPLIED  
21 TO the payment.

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

24 (1) [5% of] THE TOP MARGINAL STATE INCOME TAX RATE FOR  
25 INDIVIDUALS UNDER § 10-105(A)(4) OF THIS TITLE APPLIED TO the payment; and

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

28 SECTION 2. AND BE IT FURTHER ENACTED, That for calendar year 1998, the  
29 top marginal county income tax rate in each county, including Baltimore City, shall be 5%  
30 multiplied times the county income tax rate of at least 20% but not more than 60% as set  
31 by the county in accordance with § 10-106 of the Tax - General Article in effect before  
32 the effective date of this Act.

33 SECTION 3. AND BE IT FURTHER ENACTED, That the Comptroller shall  
34 issue new employer withholding tables, to be effective January 1 of each taxable year,  
35 reflecting the income tax rate reduction for that taxable year as enacted under Section 1  
36 of this Act.

37 SECTION 4. AND BE IT FURTHER ENACTED, That the General Assembly at  
38 the 1999 legislative session shall review the report of the Task Force on Maryland's Fiscal  
39 Structure and determine whether the General Fund appropriations for Fiscal Year 2000  
40 and the General Fund appropriations projected for Fiscal Year 2001 and Fiscal Year

1 2002 can be accommodated within the level of General Fund revenues projected for those  
2 years. In making this determination, the General Assembly shall use the revenue  
3 forecasts of the Board of Revenue Estimates and the expenditure forecasts of the  
4 Department of Fiscal Services.

5           SECTION 4. 5. AND BE IT FURTHER ENACTED, That this Act shall take effect  
6 July 1, 1997 and shall be applicable to all taxable years beginning after December 31,  
7 1997.