
By: Senator Hoffman

Introduced and read first time: January 31, 1997

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Baltimore City Earnings Tax**

3 FOR the purpose of authorizing Baltimore City to impose an earnings tax on certain
4 income received by certain residents of the State for employment in Baltimore City;
5 exempting nonresidents of the State from a Baltimore City earnings tax; setting a
6 maximum rate of a Baltimore City earnings tax; allowing a certain credit against the
7 State income tax for Baltimore City earnings tax imposed on an individual; defining
8 certain terms; requiring an individual to include certain information on the
9 individual's income tax return; requiring certain information to be included in
10 certain statements; providing that a Baltimore City earnings tax is income tax for
11 purposes of the income tax law; providing for the application of this Act; and
12 generally relating to authorization for a Baltimore City earnings tax.

13 BY renumbering

14 Article - Tax - General
15 Section 10-101(c-1) and 10-107, respectively
16 to be Section 10-101(c-3) and 10-108, respectively
17 Annotated Code of Maryland
18 (1988 Volume and 1996 Supplement)

19 BY repealing and reenacting, with amendments,

20 Article - Tax - General
21 Section 1-101(i), 2-608(a), 10-101(c), 10-103, 10-804(e)(3)(i)1., and 10-911(a)
22 Annotated Code of Maryland
23 (1988 Volume and 1996 Supplement)

24 BY adding to

25 Article - Tax - General
26 Section 10-101(c-1) and (c-2), 10-107, 10-605, 10-708, and 10-804(d-1)
27 Annotated Code of Maryland
28 (1988 Volume and 1996 Supplement)

29 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
30 MARYLAND, That Section(s) 10-101(c-1) and 10-107, respectively, of Article - Tax -

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1 General of the Annotated Code of Maryland be renumbered to be Section(s) 10-101(c-3)
2 and 10-108, respectively.

3 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
4 read as follows:

5 **Article - Tax - General**

6 1-101.

7 (i) (1) "Income tax" means the tax imposed under Title 10 of this article.

8 (2) "Income tax" includes the State income tax [and], county income tax,
9 AND THE BALTIMORE CITY EARNINGS TAX.

10 2-608.

11 (a) After making the distributions required under §§ 2-604 through 2-607 of this
12 subtitle, the Comptroller shall distribute:

13 (1) to each county the remaining income tax revenue from individuals
14 attributable to the county income tax for that county; AND

15 (2) TO BALTIMORE CITY THE REVENUE FROM THE BALTIMORE CITY
16 EARNINGS TAX.

17 10-101.

18 (c) "County income tax" means the county tax on income authorized in [§
19 10-103] § 10-103(A) of this subtitle.

20 (C-1) "BALTIMORE CITY EARNINGS TAX" MEANS THE TAX ON EARNINGS
21 AUTHORIZED UNDER § 10-103(B) OF THIS SUBTITLE.

22 (C-2) "EARNINGS" MEANS:

23 (1) WAGES AS DEFINED IN § 10-905(E-1) OF THIS TITLE; OR

24 (2) NET EARNINGS FROM SELF-EMPLOYMENT AS DEFINED IN § 1402(A)
25 OF THE INTERNAL REVENUE CODE.

26 10-103.

27 (a) Each county shall have a county income tax measured by the State income tax
28 of:

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

31 (i) is domiciled in the county; or

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

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

35 (3) each resident fiduciary of:

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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 (B) (1) IN ADDITION TO THE TAX IMPOSED UNDER SUBSECTION (A) OF THIS
8 SECTION, BALTIMORE CITY MAY IMPOSE AN EARNINGS TAX ON THE EARNINGS OF
9 EACH RESIDENT OF THE STATE RECEIVED FOR EMPLOYMENT IN BALTIMORE CITY.

10 (2) THE BALTIMORE CITY EARNINGS TAX DOES NOT APPLY TO THE
11 INCOME OF A RESIDENT OF BALTIMORE CITY OR A NONRESIDENT OF THE STATE
12 WHO RECEIVES EARNINGS FOR EMPLOYMENT IN BALTIMORE CITY.

13 [(b)] (C) Except for the county income tax AND THE BALTIMORE CITY
14 EARNINGS TAX, a county, municipal corporation, special taxing district, or other political
15 subdivision may not impose a general local income, earnings, or payroll tax, a general
16 occupational license tax, or a general license or permit tax based on income, earnings, or
17 gross receipts.

18 10-107.

19 (A) EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION, BALTIMORE
20 CITY MAY SET, BY ORDINANCE OR RESOLUTION, THE RATE OF THE BALTIMORE
21 CITY EARNINGS TAX.

22 (B) THE BALTIMORE CITY EARNINGS TAX RATE MAY NOT EXCEED 1% OF THE
23 TOTAL EARNINGS RECEIVED BY THE INDIVIDUAL FOR EMPLOYMENT IN
24 BALTIMORE CITY.

25 10-605.

26 EXCEPT AS PROVIDED IN § 10-708(B)(1) OF THIS TITLE, AN INDIVIDUAL SHALL
27 COMPUTE THE BALTIMORE CITY EARNINGS TAX BY APPLYING THE TAX RATE IN §
28 10-107 OF THIS TITLE TO THE TOTAL EARNINGS RECEIVED BY THE INDIVIDUAL FOR
29 EMPLOYMENT IN BALTIMORE CITY.

30 10-708.

31 (A) EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION, AN
32 INDIVIDUAL MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX FOR A
33 TAXABLE YEAR IN AN AMOUNT EQUAL TO THE LESSER OF:

34 (1) THE BALTIMORE CITY EARNINGS TAX IMPOSED ON THE
35 INDIVIDUAL FOR THE TAXABLE YEAR; OR

36 (2) THE STATE INCOME TAX FOR THE TAXABLE YEAR, DETERMINED
37 BEFORE APPLICATION OF THE CREDIT ALLOWED UNDER THIS SECTION.

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1 (B) IF THE TOTAL AMOUNT OF BALTIMORE CITY EARNINGS TAXES IMPOSED
2 ON AN INDIVIDUAL FOR A TAXABLE YEAR IS GREATER THAN THE STATE INCOME
3 TAX IMPOSED ON THE INDIVIDUAL FOR THE TAXABLE YEAR BUT IS LESS THAN \$250:

4 (1) THE INDIVIDUAL MAY CLAIM A CREDIT AGAINST THE BALTIMORE
5 CITY EARNINGS TAXES IMPOSED IN AN AMOUNT EQUAL TO 100% OF THE
6 BALTIMORE CITY EARNINGS TAX IMPOSED; AND

7 (2) THE INDIVIDUAL MAY NOT CLAIM THE CREDIT AGAINST THE STATE
8 INCOME TAX ALLOWED UNDER SUBSECTION (A) OF THIS SECTION.

9 10-804.

10 (D-1) EACH INDIVIDUAL SHALL INDICATE ON THE INDIVIDUAL'S INCOME TAX
11 RETURN WHETHER THE INDIVIDUAL RECEIVED EARNINGS FOR EMPLOYMENT IN
12 BALTIMORE CITY AND THE AMOUNT EARNED IN BALTIMORE CITY.

13 (e) Each person required under this subtitle to file an income tax return or
14 estimated income tax declaration or return shall:

15 (3) attach to an income tax return or otherwise file with the Comptroller any
16 records or statements that the Comptroller requires, including:

17 (i) for an individual who has income tax withheld from salary, wages,
18 or other compensation for personal services, or other payments, a copy of the statement
19 from the person who withholds the tax that states:

20 1. the amount of salary, wages, or other compensation for
21 personal services paid, THE AMOUNT OF WAGES EARNED IN BALTIMORE CITY, and the
22 income tax withheld; or

23 10-911.

24 (a) Each employer or payor of winnings derived from wagering required under §
25 10-906 of this subtitle to withhold income tax for an employee or a person who receives
26 winnings derived from wagering shall prepare a statement that shows for the previous
27 calendar year:

28 (1) the name of the employer or payor;

29 (2) the name of the employee or person who receives the winnings;

30 (3) the total amount that the employer paid to the employee as wages or the
31 total amount that the payor has paid to the person;

32 (4) the total amount of tips that the employee reported;

33 (5) the total amount of income tax that has been withheld under this
34 subtitle;

35 (6) any amount by which income tax required to be withheld on tips exceeds
36 the other net wages paid to the employee; [and]

37 (7) THE AMOUNT OF WAGES EARNED IN BALTIMORE CITY; AND

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1 [(7)] (8) any other information that the Comptroller requires by regulation.

2 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
3 July 1, 1997. The authorization under § 10-103(b) of the Tax - General Article as enacted
4 under Section 2 of this Act for Baltimore City to impose an earnings tax shall be
5 applicable to all taxable years beginning after December 31, 1997.