
By: Senator Haines

Introduced and read first time: January 31, 1997

Assigned to: Budget and Taxation

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 calculation of the county income tax; altering the rate of a
5 certain tax imposed on certain entities; altering certain requirements for
6 withholding from certain payments; providing for the application of this Act; and
7 generally relating to State and county income taxes.

8 BY repealing and reenacting, with amendments,

9 Article - Tax - General

10 Section 10-102.1(d)(1), 10-103(a), 10-105(a), 10-106(a)(1), 10-604, 10-706(c), and

11 10-908(d) and (e)

12 Annotated Code of Maryland

13 (1988 Volume and 1996 Supplement)

14 BY adding to

15 Article - Tax - General

16 Section 10-106(d)

17 Annotated Code of Maryland

18 (1988 Volume and 1996 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 10-102.1.

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

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

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

2

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

3 10-103.

4 (a) Each county shall have a county income tax measured by the State income tax,
5 MODIFIED AS PROVIDED UNDER § 10-106(D) OF THIS SUBTITLE, of:

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

8 (i) is domiciled in the county; or

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

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

12 (3) each resident fiduciary of:

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

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

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

19 10-105.

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

21 (1) 2% of Maryland taxable income of \$1 through \$1,000;

22 (2) 3% of Maryland taxable income of \$1,001 through \$2,000;

23 (3) 4% of Maryland taxable income of \$2,001 through \$3,000; and

24 (4) [5% of] FOR Maryland taxable income in excess of \$3,000:

25 (I) 4.75% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
26 1997 BUT BEFORE JANUARY 1, 1999;

27 (II) 4.5% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
28 1998 BUT BEFORE JANUARY 1, 2000; AND

29 (III) 4.25% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
30 1999.

31 10-106.

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

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1 (D) FOR PURPOSES OF DETERMINING THE COUNTY INCOME TAX, THE STATE
2 INCOME TAX SHALL BE CALCULATED BY USING A STATE TAX RATE OF 5% FOR
3 MARYLAND TAXABLE INCOME IN EXCESS OF \$3,000 INSTEAD OF THE MARGINAL
4 STATE TAX RATE FOR INDIVIDUALS SPECIFIED UNDER § 10-105(A)(4) OF THIS
5 SUBTITLE.

6 10-604.

7 [An] EXCEPT AS OTHERWISE PROVIDED IN THIS SUBTITLE, AN individual shall
8 compute the county income tax by applying the county tax rate to the State income tax
9 computed under § 10-601 or § 10-602 of this subtitle, [as] DETERMINED AS PROVIDED
10 UNDER § 10-106(D) OF THIS SUBTITLE AND modified by the credits allowed under
11 Subtitle 7 of this title against the county income tax.

12 10-706.

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

18 (II) FOR PURPOSES OF DETERMINING THE COUNTY INCOME TAX,
19 THE CREDIT UNDER § 10-704 OF THIS SUBTITLE SHALL BE CALCULATED USING THE
20 STATE INCOME TAX AS MODIFIED UNDER § 10-106(D) OF THIS TITLE.

21 10-908.

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

24 (1) if the payee is a resident, [7.5% of] A RATE EQUAL TO THE SUM OF
25 2.5% AND THE TOP MARGINAL STATE INCOME TAX RATE FOR INDIVIDUALS UNDER
26 § 10-105(A) OF THIS TITLE, APPLIED TO the payment; and

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

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

32 (1) [5% of] THE TOP MARGINAL STATE INCOME TAX RATE FOR
33 INDIVIDUALS UNDER § 10-105(A) OF THIS TITLE APPLIED TO the payment; and

34 (2) the county income tax rate applied to 5% of the payment.

35 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
36 July 1, 1997 and shall be applicable to all taxable years beginning after December 31,
37 1997.