

SENATE BILL 750

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Q3

1998 Regular Session
(8lr2553)

ENROLLED BILL

-- Budget and Taxation/Ways and Means --

Introduced by ~~Senator Hoffman~~ **Senators Hoffman, Ruben, Boozer, Currie,
Fry, Hogan, Kasemeyer, Lawlah, McFadden, Middleton, Munson, Neall,
and Van Hollen**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____ M.

President.

CHAPTER _____

1 AN ACT concerning

2 **Income Tax Reduction**

3 FOR the purpose of altering a certain tax rate under the Maryland State income tax
4 on individuals for certain taxable years; altering the amount that an individual
5 may deduct for certain exemptions to determine Maryland taxable income for
6 purposes of the State income tax for certain taxable years; altering the amount
7 of a certain subtraction modification for two-income married couples filing joint
8 returns for certain taxable years; requiring the Spending Affordability
9 Committee to include a certain recommendation in a certain report; requiring
10 the Governor to appropriate certain amounts to the Revenue Stabilization
11 Account of the State Reserve Fund for certain fiscal years; requiring the
12 Governor to transfer certain funds from the Revenue Stabilization Account of the
13 State Reserve Fund to the General Fund for certain purposes; providing for the
14 application of this Act; and generally relating to the State income tax.

15 BY repealing and reenacting, with amendments,

1 Article - Tax - General
2 Section 10-105(a), 10-207(r), and 10-211
3 Annotated Code of Maryland
4 (1997 Replacement Volume)

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

7 **Article - Tax - General**

8 10-105.

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

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

11 (2) 3% of Maryland taxable income of \$1,001 through \$2,000;

12 (3) 4% of Maryland taxable income of \$2,001 through \$3,000; and

13 (4) for Maryland taxable income in excess of \$3,000:

14 (i) [4.95%] ~~4.9%~~ 4.875% for a taxable year beginning after
15 December 31, 1997 but before January 1, 1999;

16 (ii) [4.9%] 4.85% for a taxable year beginning after December 31,
17 1998 but before January 1, 2000;

18 (iii) 4.85% for a taxable year beginning after December 31, 1999 but
19 before January 1, 2001;

20 (iv) 4.8% for a taxable year beginning after December 31, 2000 but
21 before January 1, 2002; and

22 (v) 4.75% for a taxable year beginning after December 31, 2001.

23 10-207.

24 (r) (1) In this subsection, "modified Maryland adjusted gross income" means
25 Maryland adjusted gross income determined separately for each spouse on a joint
26 return without regard to the subtraction allowed under this subsection.

27 (2) Subject to the limitation under paragraph (3) of this subsection, for a
28 two-income married couple filing a joint return, the subtraction under subsection (a)
29 of this section includes the modified Maryland adjusted gross income of the spouse
30 with the lesser modified Maryland adjusted gross income for the taxable year.

31 (3) The subtraction under paragraph (2) of this subsection may not
32 exceed:

- 1 (i) [\$1,182] ~~\$1,163~~ \$1,154 for a taxable year beginning after
2 December 31, 1997 but before January 1, 1999;
- 3 (ii) [\$1,163] \$1,144 for a taxable year beginning after December 31,
4 1998 but before January 1, 2000;
- 5 (iii) \$1,144 for a taxable year beginning after December 31, 1999 but
6 before January 1, 2001;
- 7 (iv) \$1,125 for a taxable year beginning after December 31, 2000 but
8 before January 1, 2002; and
- 9 (v) \$1,105 for a taxable year beginning after December 31, 2001.
- 10 10-211.

11 Whether or not a federal return is filed, to determine Maryland taxable income,
12 an individual other than a fiduciary may deduct as an exemption:

13 (1) for each exemption that the individual may deduct in the taxable
14 year to determine federal taxable income under § 151 of the Internal Revenue Code:

- 15 (i) [\$1,400] ~~\$1,600~~ \$1,750 for a taxable year beginning after
16 December 31, 1997 but before January 1, 1999;
- 17 (ii) [\$1,600] \$1,850 for a taxable year beginning after December 31,
18 1998 but before January 1, 2000;
- 19 (iii) \$1,850 for a taxable year beginning after December 31, 1999 but
20 before January 1, 2001;
- 21 (iv) \$2,100 for a taxable year beginning after December 31, 2000 but
22 before January 1, 2002; and
- 23 (v) \$2,400 for a taxable year beginning after December 31, 2001;
- 24 (2) for each dependent, as defined in § 152 of the Internal Revenue Code,
25 who is at least 65 years old on the last day of the taxable year, an additional:
- 26 (i) [\$1,400] ~~\$1,600~~ \$1,750 for a taxable year beginning after
27 December 31, 1997 but before January 1, 1999;
- 28 (ii) [\$1,600] \$1,850 for a taxable year beginning after December 31,
29 1998 but before January 1, 2000;
- 30 (iii) \$1,850 for a taxable year beginning after December 31, 1999 but
31 before January 1, 2001;
- 32 (iv) \$2,100 for a taxable year beginning after December 31, 2000 but
33 before January 1, 2002; and

1 (v) \$2,400 for a taxable year beginning after December 31, 2001;

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

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

6 SECTION 2. AND BE IT FURTHER ENACTED, That the Spending
7 Affordability Committee shall include a recommendation in its final report of the
8 1999 interim as to the fiscal prudence of further accelerating the individual income
9 tax reduction enacted by Chapter 4 of the Acts of the General Assembly of 1997 or
10 increasing the total amount of the reduction above 10%.

11 SECTION 3. AND BE IT FURTHER ENACTED, That for each of fiscal years
12 2000, 2001, 2002, and 2003, respectively, the Governor shall include an appropriation
13 to the Revenue Stabilization Account of the State Reserve Fund established in §
14 7-311 of the State Finance and Procurement Article, in an amount equal to the
15 amount by which the unappropriated general fund surplus as of June 30, 1998, June
16 30, 1999, June 30, 2000, and June 30, 2001, respectively, exceeds \$10,000,000.

17 SECTION ~~3~~ 4. AND BE IT FURTHER ENACTED, *That, notwithstanding any*
18 *other provision of law, for Fiscal Year 1999 only, the Governor shall transfer*
19 *\$170,700,000 from the Revenue Stabilization Account of the State Reserve Fund to the*
20 *General Fund in order to offset the effect of this Act on State revenues and expedite the*
21 *return of those funds set aside for the purpose of providing tax relief to the taxpayers of*
22 *Maryland.*

23 SECTION 5. AND BE IT FURTHER ENACTED, That this Act shall take effect
24 July 1, 1998 and shall be applicable to all taxable years beginning after December 31,
25 1997.