SB 487

Department of Legislative Services

Maryland General Assembly

FISCAL NOTE

Revised

Senate Bill 487 (Senator Neall, *et al.*)
Budget and Taxation

County Income Tax

This emergency bill enables counties to alter their local income tax rates by increments of two percentage points throughout the range of authorized local income tax rates, rather than only between 50% and 60%.

This provision applies to tax year 1998, although counties must notify the Comptroller by June 1, 1998 of any changes for tax year 1998 pursuant to this bill. The Comptroller is not required to issue new withholding tables for 1998 reflecting any changes.

Fiscal Summary

State Effect: Expenditures could increase by an estimated $324,600 in FY 1999, partially offset by a decline of local income tax distributions of $107,100. Revenues would not be affected.

Local Effect: Revenues could decline by approximately $107,100 in FY 1999, and would change depending on any local income tax rate change. Expenditures would not be affected.

Small Business Effect: Minimal.

Fiscal Analysis

State Expenditures: If any counties choose to use a local income tax rate which is not currently authorized (such as 48%), expenditures of about $324,600 would be incurred. These costs would be for computer programming changes, for the printing of a new schedule, and for the printing and mailing of related information, including withholding books. If several new rates are adopted (such as 48%, 46%, and 44%), it is possible that printing and postage costs for the heavier withholding books could increase even more. These costs would increase by about 1% annually. In each year after the first in which a newly authorized rate was adopted, costs would increase by about $221,900 (with 1% inflation annually).

Approximately one-third of these costs would be passed on to the counties as a reduction in local income tax distributions. If a change were made in fiscal 1999, about $107,000 of costs would be charged to the counties.

Local Revenues: This bill permits local income tax rates which are not currently permissible. The only counties likely to avail themselves of the new authority for tax rates are those currently at or below 50%, since rates can currently be changed in two percentage point intervals between 50% and 60%. Counties at 50% or below include Anne Arundel, Calvert, Cecil, Charles, Dorchester, Frederick, Garrett, Harford, Howard, Kent, Talbot, Washington, and Worcester, and Baltimore City.

To the extent that counties adopt changes authorized by this bill, local revenues would be directly affected. Revenues would increase or decrease, depending on any rate change. Revenues will also decline by approximately one-third of costs incurred by the Comptroller in administering the provisions of this bill. The first year a change is made, revenues would decline by $107,000. The second year, revenues would decline by about $73,200 (with 1% inflation annually).

Information Source(s): Office of the Comptroller (Bureau of Revenue Estimates, Revenue Administration Division); Department of Legislative Services

Fiscal Note History: First Reader - February 24, 1998
ncs Revised - Senate Third Reader - March 23, 1998

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