
By: **Delegate Rosenberg**
Introduced and read first time: January 18, 1999
Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Subtraction Modification for Federal Insurance Contribution**
3 **Act Tax and Federal Self-Employment Income Tax - Tobacco Tax**

4 FOR the purpose of providing a subtraction modification under the Maryland
5 individual income tax for certain federal taxes paid by an individual; providing
6 for a maximum modification amount for each individual; providing for an
7 offsetting increase in the tobacco tax rate; altering a certain discount provision
8 under the tobacco tax; providing for the application of this Act; and generally
9 relating to taxes.

10 BY repealing and reenacting, without amendments,
11 Article - Tax - General
12 Section 10-208(a)
13 Annotated Code of Maryland
14 (1997 Replacement Volume and 1998 Supplement)

15 BY adding to
16 Article - Tax - General
17 Section 10-208(o)
18 Annotated Code of Maryland
19 (1997 Replacement Volume and 1998 Supplement)

20 BY repealing and reenacting, with amendments,
21 Article - Tax - General
22 Section 12-105 and 12-303(b)
23 Annotated Code of Maryland
24 (1997 Replacement Volume and 1998 Supplement)

25 Preamble

26 WHEREAS, The primary public policy goal of a cigarette tax increase is to
27 deter smoking, particularly among children and teenagers; and

1 WHEREAS, The funds derived from the settlement of the State's lawsuit
2 against the tobacco industry can be used for tobacco-related public health purposes;
3 and

4 WHEREAS, The Spending Affordability limits restrict the use of revenues
5 derived from a cigarette tax increase for operating budget expenses; and

6 WHEREAS, A cigarette tax increase should be offset by an equal reduction in
7 State revenues; now, therefore,

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

10 **Article - Tax - General**

11 10-208.

12 (a) In addition to the modification under § 10-207 of this subtitle, the
13 amounts under this section are subtracted from the federal adjusted gross income of
14 a resident to determine Maryland adjusted gross income.

15 (O) (1) THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION
16 INCLUDES:

17 (I) THE AMOUNT OF THE TAX IMPOSED UNDER § 3101 OF THE
18 INTERNAL REVENUE CODE; OR

19 (II) 50% OF THE AMOUNT OF THE TAX IMPOSED UNDER § 1401 OF
20 THE INTERNAL REVENUE CODE.

21 (2) THE SUBTRACTION UNDER PARAGRAPH (1) OF THIS SUBSECTION
22 SHALL BE LIMITED FOR EACH INDIVIDUAL TAXPAYER TO THE LESSER OF:

23 (I) THE AMOUNT OF THE TAX PAID BY THE INDIVIDUAL TAXPAYER;
24 OR

25 (II) \$2,700.

26 12-105.

27 The tobacco tax rate is:

28 (1) [18] 68 cents for each package of 10 or fewer cigarettes;

29 (2) [36 cents] \$1.36 for each package of at least 11 and not more than 20
30 cigarettes;

31 (3) [1.8] 6.8 cents for each cigarette in a package of more than 20
32 cigarettes; and

1 (4) [1.8] 6.8 cents for each cigarette in a package of free sample
2 cigarettes.

3 12-303.

4 (b) The Comptroller shall allow a licensed wholesaler a discount of [1.36%]
5 0.36% of the purchase price of tax stamps.

6 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
7 July 1, 1999. The subtraction modification under § 10-208(o) of the Tax - General
8 Article as enacted under Section 1 of this Act shall be applicable to all taxable years
9 beginning after December 31, 1998.