
By: **Delegate La Vay**

Introduced and read first time: February 12, 1999

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **County Income Tax**

3 FOR the purpose of altering the calculation of the county income tax; altering the
4 calculation of a certain required distribution of income tax revenues to certain
5 special taxing districts and municipal corporations; providing for the application
6 of this Act; and generally relating to the county income tax.

7 BY repealing and reenacting, with amendments,
8 Article - Tax - General
9 Section 2-607, 10-103(a), 10-106, 10-604, and 10-706(c)
10 Annotated Code of Maryland
11 (1997 Replacement Volume and 1998 Supplement)

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

14 **Article - Tax - General**

15 2-607.

16 (a) After making the distributions required under §§ 2-604 through 2-606 of
17 this subtitle, from the remaining income tax revenue from individuals, the
18 Comptroller shall distribute to each special taxing district that received an income
19 tax revenue distribution in Fiscal Year 1977 and to each municipal corporation an
20 amount that, based on the certification of the Comptroller as to State income tax
21 liability and county income tax liability of the residents of the district or municipal
22 corporation, equals the greater of:

23 (1) [subject to subsection (b) of this section,] 8.5% OF THE STATE INCOME
24 TAX LIABILITY OF THOSE RESIDENTS;

25 (2) 17% of the county income tax liability of those residents; or

26 [(2)] (3) 0.37% of the Maryland taxable income of those residents[,
27 determined as provided under § 10-106(c) of this article].

1 [(b) If the county income tax rate for a county is less than 50%, the amount
2 determined under subsection (a)(1) of this section shall be multiplied by a fraction:

3 (1) the numerator of which is 50%; and

4 (2) the denominator of which is the county income tax rate for the
5 county.]

6 [(c) (B) The Comptroller shall adjust the amount distributed under
7 subsection (a) of this section to a municipal corporation or special taxing district to
8 allow for a proportionate part of refund and interest payments for a prior calendar
9 year made after a distribution is made to the municipal corporation or district for that
10 year.

11 10-103.

12 (a) Each county shall have a county income tax measured by the State income
13 tax[, modified as provided under § 10-106(c) of this subtitle,] of:

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

16 (i) is domiciled in the county; or

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

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

21 (3) each resident fiduciary of:

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

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

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

28 10-106.

29 (a) (1) Each county shall set, by ordinance or resolution, a county income tax
30 equal to at least 20% but not more than 60%, to be applied to the State income tax for
31 an individual[, modified as provided under subsection (d) of this section].

32 (2) A county income tax rate continues until the county changes the rate
33 by ordinance or resolution.

1 (3) (i) A county may not increase its county income tax rate above 50%
2 until after the county has held a public hearing on the proposed act, ordinance, or
3 resolution to increase the rate.

4 (ii) The county shall publish at least once each week for 2
5 successive weeks in a newspaper of general circulation in the county:

6 1. notice of the public hearing; and

7 2. a fair summary of the proposed act, ordinance, or
8 resolution to increase the county income tax rate above 50%.

9 (4) Notwithstanding paragraph (1) or (2) of this subsection, in Howard
10 County, the county income tax rate may be changed only by ordinance and not by
11 resolution.

12 (b) If a county changes its county income tax rate, the county shall:

13 (1) increase or decrease the rate in increments of 2 percentage points or
14 5 percentage points, effective on January 1 of the year that the county designates; and

15 (2) give the Comptroller notice of the rate change and the effective date
16 of the rate change on or before July 1 prior to its effective date.

17 [(c) For purposes of determining the county income tax, the State income tax
18 shall be calculated by:

19 (1) using a State tax rate of 5% for Maryland taxable income in excess of
20 \$3,000 instead of the marginal State tax rate for individuals specified under §
21 10-105(a)(4) of this subtitle;

22 (2) allowing a maximum of \$1,200 instead of the maximum amount
23 specified under § 10-207(r) of this title for the subtraction modification for
24 two-income married couples; and

25 (3) allowing \$1,200 instead of the amount specified in § 10-211(1) or (2)
26 of this title for each exemption allowed under § 10-211(1) and (2) of this title.]

27 10-604.

28 Except as otherwise provided in this subtitle, an individual shall compute the
29 county income tax by applying the county tax rate to the State income tax computed
30 under § 10-601 or § 10-602 of this subtitle, [determined as provided under §
31 10-106(c) of this subtitle and] modified by the credits allowed under Subtitle 7 of this
32 title against the county income tax.

33 10-706.

34 (c) (1) A credit under § 10-704 or § 10-709 of this subtitle:

35 (i) is allowed only against the State income tax; and

1 (ii) operates to reduce the county income tax.

2 (2) Subject to paragraph (3) of this subsection, the county income tax is
3 based on the amount of State income tax after the State income tax is reduced by the
4 sum of the credits allowed under §§ 10-704 and 10-709 of this subtitle.

5 (3) (i) For purposes of determining the county income tax, the credit
6 under § 10-704 or § 10-709 of this subtitle shall be calculated using the State income
7 tax [as modified under § 10-106(c) of this title].

8 (ii) If the credit allowed under § 10-704 of this subtitle for any
9 taxable year exceeds the State income tax [as modified under § 10-106(c) of this
10 title], the county income tax is zero.

11 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
12 July 1, 1999, and shall be applicable to all taxable years beginning after December 31,
13 1998.