

HOUSE BILL 1149
EMERGENCY BILL

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Q3

1999 Regular Session
9lr2440

By: **Delegates Hixson, Healey, C. Davis, Howard, Bozman, Shriver, and Hurson**

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Committee Report: Favorable with amendments
House action: Recommitted to Committee, March 22, 1999
Committee Report: Favorable
House action: Adopted
Read second time: March 24, 1999

CHAPTER _____

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; altering the increments by
6 which a county may change the county income tax rate; altering the amount
7 that an individual may deduct for certain exemptions to determine Maryland
8 taxable income; altering the maximum amount of a certain subtraction
9 modification for two-income married couples filing joint returns; allowing an
10 individual a credit against the State income tax in certain amounts for certain
11 exemptions allowed; allowing an individual a credit against the county income
12 tax in a certain amount; providing for the application of this Act; making this
13 Act an emergency measure; and generally relating to the county income tax.

14 BY repealing and reenacting, with amendments,
15 Article - Tax - General
16 Section 2-607, 10-103(a), 10-106, 10-207(r), 10-211, 10-604, 10-704, 10-706,
17 10-709, and 10-908(e)
18 Annotated Code of Maryland
19 (1997 Replacement Volume and 1998 Supplement)

20 BY adding to
21 Article - Tax - General

1 Section 10-712
2 Annotated Code of Maryland
3 (1997 Replacement Volume and 1998 Supplement)

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

6 **Article - Tax - General**

7 2-607.

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

15 (1) subject to subsection (b) of this section, 17% of the county income tax
16 liability of those residents; or

17 (2) 0.37% of the Maryland taxable income of those residents[,
18 determined as provided under § 10-106(c) of this article].

19 (b) If the county income tax rate for a county is less than [50%] 2.5%, the
20 amount determined under subsection (a)(1) of this section shall be multiplied by a
21 fraction:

22 (1) the numerator of which is [50%] 2.5%; and

23 (2) the denominator of which is the county income tax rate for the
24 county.

25 (c) The Comptroller shall adjust the amount distributed under subsection (a)
26 of this section to a municipal corporation or special taxing district to allow for a
27 proportionate part of refund and interest payments for a prior calendar year made
28 after a distribution is made to the municipal corporation or district for that year.

29 10-103.

30 (a) Each county shall have a county income tax [measured by the State
31 income tax, modified as provided under § 10-106(c) of this subtitle,] ON THE
32 MARYLAND TAXABLE INCOME of:

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

35 (i) is domiciled in the county; or

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

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

5 (3) each resident fiduciary of:

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

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

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

12 10-106.

13 (a) (1) Each county shall set, by ordinance or resolution, a county income tax
14 equal to at least [20%] 1% but not more than [60%, to be applied to the State income
15 tax for an individual, modified as provided under subsection (d) of this section] 3% OF
16 MARYLAND TAXABLE INCOME.

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

19 (3) (i) A county may not increase its county income tax rate above
20 [50%] 2.5% until after the county has held a public hearing on the proposed act,
21 ordinance, or resolution to increase the rate.

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

24 1. notice of the public hearing; and

25 2. a fair summary of the proposed act, ordinance, or
26 resolution to increase the county income tax rate above [50%] 2.5%.

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

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

31 (1) increase or decrease the rate in increments of [2 percentage points or
32 5 percentage points] ONE-TWENTIETH OF A PERCENTAGE POINT, effective on
33 January 1 of the year that the county designates; and

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

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

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

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

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

11 10-207.

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

15 (2) Subject to the limitation under paragraph (3) of this subsection, for a
16 two-income married couple filing a joint return, the subtraction under subsection (a)
17 of this section includes THE LESSER OF \$1,200 OR the modified Maryland adjusted
18 gross income of the spouse with the lesser modified Maryland adjusted gross income
19 for the taxable year.

20 [(3) The subtraction under paragraph (2) of this subsection may not
21 exceed:

22 (i) \$1,154 for a taxable year beginning after December 31, 1997 but
23 before January 1, 1999;

24 (ii) \$1,144 for a taxable year beginning after December 31, 1998 but
25 before January 1, 2000;

26 (iii) \$1,144 for a taxable year beginning after December 31, 1999 but
27 before January 1, 2001;

28 (iv) \$1,125 for a taxable year beginning after December 31, 2000 but
29 before January 1, 2002; and

30 (v) \$1,105 for a taxable year beginning after December 31, 2001.]

31 10-211.

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

34 (1) \$1,200 for each exemption that the individual may deduct in the
35 taxable year to determine federal taxable income under § 151 of the Internal Revenue
36 Code[;

1 (i) \$1,750 for a taxable year beginning after December 31, 1997 but
2 before January 1, 1999;

3 (ii) \$1,850 for a taxable year beginning after December 31, 1998 but
4 before January 1, 2000;

5 (iii) \$1,850 for a taxable year beginning after December 31, 1999 but
6 before January 1, 2001;

7 (iv) \$2,100 for a taxable year beginning after December 31, 2000 but
8 before January 1, 2002; and

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

10 (2) AN ADDITIONAL \$1,200 for each dependent, as defined in § 152 of the
11 Internal Revenue Code, who is at least 65 years old on the last day of the taxable year
12 [, an additional:

13 (i) \$1,750 for a taxable year beginning after December 31, 1997 but
14 before January 1, 1999;

15 (ii) \$1,850 for a taxable year beginning after December 31, 1998 but
16 before January 1, 2000;

17 (iii) \$1,850 for a taxable year beginning after December 31, 1999 but
18 before January 1, 2001;

19 (iv) \$2,100 for a taxable year beginning after December 31, 2000 but
20 before January 1, 2002; and

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

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

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

26 10-604.

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

1 10-704.

2 (a) (1) An individual may claim a credit against the STATE income tax for a
3 taxable year in the amount determined under subsection (b) of this section for earned
4 income.

5 (2) AN INDIVIDUAL MAY CLAIM A CREDIT AGAINST THE COUNTY
6 INCOME TAX FOR A TAXABLE YEAR IN THE AMOUNT DETERMINED UNDER
7 SUBSECTION (C) OF THIS SECTION FOR EARNED INCOME.

8 (b) (1) Except as provided in paragraph (2) of this subsection and subject to
9 subsection [(c)] (D) of this section, the credit allowed AGAINST THE STATE INCOME
10 TAX under [subsection (a)] SUBSECTION (A)(1) of this section is the lesser of:

11 (i) 50% of the earned income credit allowable for the taxable year
12 under § 32 of the Internal Revenue Code; or

13 (ii) the State income tax for the taxable year.

14 (2) (i) An individual with one or more dependents that may be claimed
15 as exemptions may claim a refund in the amount, if any, by which the applicable
16 percentage specified in subparagraph (ii) of this paragraph of the earned income
17 credit allowable under § 32 of the Internal Revenue Code exceeds the State income
18 tax for the taxable year.

19 (ii) The applicable percentage of the earned income credit allowable
20 under § 32 of the Internal Revenue Code to be used for purposes of determining the
21 refund provided under this paragraph is:

22 1. 10% for a taxable year beginning after December 31, 1997
23 but before January 1, 2000;

24 2. 12.5% for a taxable year beginning after December 31,
25 1999 but before January 1, 2001; and

26 3. 15% for a taxable year beginning after December 31, 2000.

27 (C) SUBJECT TO SUBSECTION (D) OF THIS SECTION, THE CREDIT ALLOWED
28 AGAINST THE COUNTY INCOME TAX UNDER SUBSECTION(A)(2) OF THIS SECTION IS
29 THE LESSER OF:

30 (1) THE EARNED INCOME CREDIT ALLOWABLE FOR THE TAXABLE YEAR
31 UNDER § 32 OF THE INTERNAL REVENUE CODE MULTIPLIED BY 10 TIMES THE
32 COUNTY INCOME TAX RATE FOR THE TAXABLE YEAR; OR

33 (2) THE COUNTY INCOME TAX FOR THE TAXABLE YEAR.

34 [(c)] (D) For an individual who is a nonresident or is a resident of the State for
35 only a part of the year, the amount of the credit or refund allowed under this section
36 shall be determined based on the part of the earned income credit allowable for the

1 taxable year under § 32 of the Internal Revenue Code that is attributable to
2 Maryland, determined by multiplying the federal earned income credit by a fraction:

3 (1) the numerator of which is the Maryland adjusted gross income of the
4 individual; and

5 (2) the denominator of which is the federal adjusted gross income of the
6 individual.

7 10-706.

8 (a) Except as otherwise provided in this section[:

9 (1)], a credit allowed under this subtitle is allowed against the State
10 income tax only; and

11 (2) the county income tax is based on the State income tax before the
12 State income tax is reduced by the credit].

13 (b) [(1)] A credit under § 10-701 of this subtitle is allowed against the total
14 county and State income taxes.

15 [(2) The county income tax is based on the amount of State income tax
16 before the State income tax is reduced by the credit.]

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

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

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

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

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

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

29 (1) A CREDIT ALLOWED UNDER § 10-704(A)(1), § 10-709(B)(1), OR § 10-712(A)
30 OF THIS SUBTITLE IS ALLOWED AGAINST THE STATE INCOME TAX ONLY.

31 (2) A CREDIT ALLOWED UNDER § 10-704(A)(2), § 10-709(B)(2), OR § 10-712(B)
32 OF THIS SUBTITLE IS ALLOWED AGAINST THE COUNTY INCOME TAX ONLY.

1 10-709.

2 (a) (1) In this section the following words have the meanings indicated.

3 (2) "Applicable poverty income level" means the amount specified in the
4 poverty income standard that corresponds to the number of exemptions which the
5 individual is allowed and claims under § 10-211(1) of this title.

6 (3) "Eligible low income taxpayer" means an individual, or an individual
7 and the individual's spouse if they file a joint income tax return:

8 (i) whose federal adjusted gross income as modified under §§
9 10-204 through 10-206 of this title does not exceed the applicable poverty income
10 level;

11 (ii) whose earned income as defined under § 32(c)(2) of the Internal
12 Revenue Code does not exceed the applicable poverty income level;

13 (iii) who is not claimed as an exemption on another individual's tax
14 return under § 10-211 of this title; and

15 (iv) for whom the credit allowed under [§ 10-704] § 10-704(A)(1) of
16 this subtitle is less than the State income tax.

17 (4) "Poverty income standard" means the most recent poverty income
18 guideline published by the United States Department of Health and Human Services,
19 available as of July 1 of the taxable year.

20 (b) (1) An eligible low income taxpayer may claim a credit against the
21 STATE income tax for a taxable year in the amount determined under subsection (c) of
22 this section.

23 (2) AN ELIGIBLE LOW INCOME TAXPAYER MAY CLAIM A CREDIT
24 AGAINST THE COUNTY INCOME TAX FOR A TAXABLE YEAR IN THE AMOUNT
25 DETERMINED UNDER SUBSECTION (D) OF THIS SECTION.

26 (c) [(1)] Except as provided in [paragraph (2) of this subsection]
27 SUBSECTION (E) OF THIS SECTION, the credit allowed AGAINST THE STATE INCOME
28 TAX under [subsection (b)] SUBSECTION (B)(1) of this section equals the lesser of:

29 [(i)] (1) the State income tax determined after subtracting the credit
30 allowed under § 10-704(b)(1) of this subtitle; or

31 [(ii)] (2) an amount equal to 5% of the eligible low income taxpayer's
32 earned income, as defined under § 32(c)(2) of the Internal Revenue Code.

33 (D) EXCEPT AS PROVIDED IN SUBSECTION (E) OF THIS SECTION, THE CREDIT
34 ALLOWED AGAINST THE COUNTY INCOME TAX UNDER SUBSECTION (B)(2) OF THIS
35 SECTION EQUALS THE LESSER OF:

1 (1) THE COUNTY INCOME TAX DETERMINED AFTER SUBTRACTING THE
2 CREDIT ALLOWED UNDER § 10-704(C) OF THIS SUBTITLE; OR

3 (2) AN AMOUNT EQUAL TO THE COUNTY INCOME TAX RATE MULTIPLIED
4 TIMES THE ELIGIBLE LOW INCOME TAXPAYER'S EARNED INCOME, AS DEFINED
5 UNDER § 32(C)(2) OF THE INTERNAL REVENUE CODE.

6 [(2)] (E) Of the amount determined under [paragraph (1) of this
7 subsection] SUBSECTION (C) OR SUBSECTION (D) OF THIS SECTION, an individual who
8 is a nonresident or is a resident of the State for only a part of the year is allowed only
9 a fraction:

10 [(i)] (1) the numerator of which is the individual's Maryland
11 adjusted gross income; and

12 [(ii)] (2) the denominator of which is the individual's federal
13 adjusted gross income.

14 10-712.

15 (A) (1) AN INDIVIDUAL MAY CLAIM A CREDIT AGAINST THE STATE INCOME
16 TAX FOR A TAXABLE YEAR IN AN AMOUNT EQUAL TO THE LESSER OF:

17 (I) THE STATE INCOME TAX FOR THE TAXABLE YEAR; OR

18 (II) THE PRODUCT OF MULTIPLYING THE NUMBER OF EXEMPTIONS
19 ALLOWED FOR THE TAXABLE YEAR UNDER § 10-211(1) AND (2) OF THIS TITLE TIMES:

20 1. \$31.50 FOR A TAXABLE YEAR BEGINNING AFTER
21 DECEMBER 31, 1998 BUT BEFORE JANUARY 1, 2001;

22 2. \$43.20 FOR A TAXABLE YEAR BEGINNING AFTER
23 DECEMBER 31, 2000 BUT BEFORE JANUARY 1, 2002; AND

24 3. \$57 FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER
25 31, 2001.

26 (2) OF THE AMOUNT DETERMINED UNDER PARAGRAPH (1) OF THIS
27 SUBSECTION, AN INDIVIDUAL WHO IS A NONRESIDENT OR IS A RESIDENT OF THE
28 STATE FOR ONLY A PART OF THE YEAR IS ALLOWED ONLY A FRACTION:

29 (I) THE NUMERATOR OF WHICH IS THE INDIVIDUAL'S MARYLAND
30 ADJUSTED GROSS INCOME; AND

31 (II) THE DENOMINATOR OF WHICH IS THE INDIVIDUAL'S FEDERAL
32 ADJUSTED GROSS INCOME.

33 (B) AN INDIVIDUAL MAY CLAIM A CREDIT AGAINST THE COUNTY INCOME TAX
34 FOR A TAXABLE YEAR IN AN AMOUNT EQUAL TO THE LESSER OF:

35 (1) THE COUNTY INCOME TAX FOR THE TAXABLE YEAR; AND

1 (2) THE PRODUCT OF MULTIPLYING \$1,200 TIMES THE COUNTY INCOME
2 TAX RATE FOR THE TAXABLE YEAR.

3 10-908.

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

6 (1) the top marginal State income tax rate for individuals under §
7 10-105(a) of this title applied to the payment; and

8 (2) the county income tax rate applied to [5% of] the payment.

9 SECTION 2. AND BE IT FURTHER ENACTED, That, notwithstanding any
10 other provision of law, the county income tax rate in each county for calendar year
11 1999, including Baltimore City, shall be 5% multiplied times the county income tax
12 rate of at least 20% but not more than 60% as set by the county in accordance with §
13 10-106 of the Tax - General Article in effect for calendar year 1999 before the
14 effective date of this Act.

15 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall be
16 applicable to all taxable years beginning after December 31, 1998.

17 SECTION 4. AND BE IT FURTHER ENACTED, That this Act is an emergency
18 measure, is necessary for the immediate preservation of the public health and safety,
19 has been passed by a ye and nay vote supported by three-fifths of all the members
20 elected to each of the two Houses of the General Assembly, and shall take effect from
21 the date it is enacted.