

SENATE BILL 342  
EMERGENCY BILL

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Q3

1999 Regular Session  
9r1340

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By: **Senators Hoffman, Neall, and Kasemeyer**  
Introduced and read first time: February 5, 1999  
Assigned to: Budget and Taxation

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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; altering the increments by  
6 which a county may change the county income tax rate; authorizing a county to  
7 alter its county income tax rate for a certain taxable year notwithstanding  
8 certain notice requirements; providing for the application of this Act; making  
9 this Act an emergency measure; and generally relating to the county income tax.

10 BY repealing and reenacting, with amendments,  
11 Article - Tax - General  
12 Section 2-607, 10-103(a), 10-106, 10-604, and 10-706(c)  
13 Annotated Code of Maryland  
14 (1997 Replacement Volume and 1998 Supplement)

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

17 **Article - Tax - General**

18 2-607.

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

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

28 (2) 17% of the county income tax liability of those residents; or

1            [(2)]    (3)    0.37% of the Maryland taxable income of those residents[,  
2 determined as provided under § 10-106(c) of this article].

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

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

6            (2)    the denominator of which is the county income tax rate for the  
7 county.]

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

13 10-103.

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

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

18                            (i)    is domiciled in the county; or

19                            (ii)   maintains a principal residence or a place of abode in the  
20 county;

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

23            (3)    each resident fiduciary of:

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

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

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

30 10-106.

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

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

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

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

8                           1.     notice of the public hearing; and

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

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

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

15                   (1)     increase or decrease the rate in increments of [2 percentage points or  
16 5] WHOLE percentage points, effective on January 1 of the year that the county  
17 designates; and

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

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

22                   (1)     using a State tax rate of 5% for Maryland taxable income in excess of  
23 \$3,000 instead of the marginal State tax rate for individuals specified under §  
24 10-105(a)(4) of this subtitle;

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

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

30 10-604.

31     Except as otherwise provided in this subtitle, an individual shall compute the  
32 county income tax by applying the county tax rate to the State income tax computed  
33 under § 10-601 or § 10-602 of this subtitle, [determined as provided under §  
34 10-106(c) of this subtitle and] modified by the credits allowed under Subtitle 7 of this  
35 title against the county income tax.

1 10-706.

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

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

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

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

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

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

14 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be  
15 applicable to all taxable years beginning after December 31, 1998.

16 SECTION 3. AND BE IT FURTHER ENACTED, That:

17 (a) Notwithstanding the notice provisions of § 10-106(b)(2) of the Tax -  
18 General Article, on or before June 1, 1999, a county may alter its county income tax  
19 rate for individual income taxes payable for calendar year 1999.

20 (b) A county income tax rate change under subsection (a) of this section may  
21 not take effect unless the county notifies the Comptroller of the rate change on or  
22 before June 1, 1999.

23 (c) The Comptroller is not required to issue new withholding tables for the  
24 1999 calendar year reflecting any county income tax rate change for calendar year  
25 1999 under this section.

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