

SENATE BILL 155

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Q3

2001 Regular Session  
1r0841

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By: **Senator Haines**

Introduced and read first time: January 18, 2001

Assigned to: Budget and Taxation

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A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Individuals - Limitation Based on Federal Income Tax**  
3 **Liability**

4 FOR the purpose of limiting the State income tax liability imposed on individuals by  
5 providing a limitation based on the individual's federal income tax liability;  
6 defining a certain term; providing for the application of this Act; and generally  
7 relating to a certain limitation on the State income tax imposed on individuals.

8 BY repealing and reenacting, with amendments,  
9 Article - Tax - General  
10 Section 10-105(a)  
11 Annotated Code of Maryland  
12 (1997 Replacement Volume and 2000 Supplement)

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

15 **Article - Tax - General**

16 10-105.

17 (a) (1) [The] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS  
18 SUBSECTION, THE State income tax rate for an individual is:

19 [(1)] (I) 2% of Maryland taxable income of \$1 through \$1,000;

20 [(2)] (II) 3% of Maryland taxable income of \$1,001 through \$2,000;

21 [(3)] (III) 4% of Maryland taxable income of \$2,001 through \$3,000; and

22 [(4)] (IV) for Maryland taxable income in excess of \$3,000:

23 [(i)] 1. 4.875% for a taxable year beginning after December 31,  
24 1997 but before January 1, 1999;

1                            [(ii)]    2.        4.85% for a taxable year beginning after December 31,  
2 1998 but before January 1, 2000;

3                            [(iii)]    3.        4.85% for a taxable year beginning after December 31,  
4 1999 but before January 1, 2001;

5                            [(iv)]    4.        4.8% for a taxable year beginning after December 31,  
6 2000 but before January 1, 2002; and

7                            [(v)]    5.        4.75% for a taxable year beginning after December 31,  
8 2001.

9                    (2)    (I)        IN THIS PARAGRAPH, "FEDERAL INCOME TAX LIABILITY"  
10 MEANS, FOR ANY INDIVIDUAL AND ANY TAXABLE YEAR, THE FEDERAL INCOME TAX  
11 PAYABLE BY THE INDIVIDUAL FOR THAT TAXABLE YEAR UNDER THE INTERNAL  
12 REVENUE CODE, AS DETERMINED:

13                            1.        BEFORE THE SUBTRACTION OF CREDITS ALLOWED FOR  
14 FEDERAL INCOME TAX WITHHELD AND FOR ESTIMATED TAX PAYMENTS; AND

15                            2.        AFTER THE SUBTRACTION OF ALL CREDITS ALLOWED  
16 UNDER THE INTERNAL REVENUE CODE EXCEPT THE CREDITS FOR FEDERAL INCOME  
17 TAX WITHHELD AND FOR ESTIMATED TAX PAYMENTS.

18                            (II)      FOR AN INDIVIDUAL, THE STATE INCOME TAX SHALL EQUAL  
19 THE LESSER OF:

20                            1.        THE AMOUNT CALCULATED UNDER PARAGRAPH (1) OF  
21 THIS SUBSECTION; OR

22                            2.        THE INDIVIDUAL'S FEDERAL INCOME TAX LIABILITY.

23        SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
24 July 1, 2001 and shall be applicable to all taxable years beginning after December 31,  
25 2000.