

Department of Legislative Services

Maryland General Assembly

2001 Session

FISCAL NOTE

Senate Bill 143 (Senator Hoffman)

Budget and Taxation

Ways and Means

Local Property Tax Credit - County Income Tax Rate Increases

This emergency bill amends the provision authorizing local governments to grant a local property tax credit to offset increases in local income taxes by altering a reference to the income tax rate prior to decoupling the county rate from the State tax liability. The bill changes the county income tax rate, above which a local government can grant a property tax credit, from 50% to 2.6%.

Fiscal Summary

State Effect: None. The change is procedural/technical in nature and would not directly affect governmental finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A county or municipal government can grant a property tax credit in order to offset increases in the county or municipal income tax revenue resulting from a county tax rate in excess of 50%. When the county tax rates were decoupled from the State liability, the 50% should have changed to 2.6%.

Background: Chapter 493 of 1999 replaced the system of calculating local income taxes based on a percentage of the State tax liability by establishing flat county income tax

rates. These new rates are used to calculate local income taxes based on Maryland taxable income. County income tax rates now range between 1% and 3.01%.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Assessments and Taxation, Department of Legislative Services

Fiscal Note History: First Reader – January 22, 2001
ef/jr

Analysis by: Karen S. Benton

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510