
By: **Senators Pinsky and Jones**

Introduced and read first time: February 6, 2004

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax Reform - Revenues for Bridge to Excellence in Public Schools**

3 FOR the purpose of establishing an Education Trust Fund to be used only for certain
4 education funding; requiring the Comptroller to distribute certain income tax
5 revenue for each fiscal year to the Education Trust Fund; altering the State
6 income tax rates and rate brackets for individuals; requiring the Comptroller to
7 issue new employer withholding tables reflecting certain rates and rate
8 brackets; requiring the Comptroller to waive certain interest and penalty for a
9 certain taxable year; providing for the application of this Act; and generally
10 relating to the alteration of income tax rates and rate brackets and additional
11 revenue for education funding.

12 BY adding to
13 Article - Education
14 Section 5-201.1
15 Annotated Code of Maryland
16 (2001 Replacement Volume and 2003 Supplement)

17 BY adding to
18 Article - Tax - General
19 Section 2-608.2
20 Annotated Code of Maryland
21 (1997 Replacement Volume and 2003 Supplement)

22 BY repealing and reenacting, with amendments,
23 Article - Tax - General
24 Section 2-609 and 10-105
25 Annotated Code of Maryland
26 (1997 Replacement Volume and 2003 Supplement)

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

1

Article - Education

2 5-201.1.

3 (A) THERE IS AN EDUCATION TRUST FUND THAT IS A SPECIAL CONTINUING,
4 NONLAPSING FUND THAT IS NOT SUBJECT TO § 7-302 OF THE STATE FINANCE AND
5 PROCUREMENT ARTICLE.

6 (B) (1) THERE SHALL BE CREDITED TO THE EDUCATION TRUST FUND ALL
7 REVENUES DISTRIBUTED TO THE FUND UNDER § 2-608.2 OF THE TAX - GENERAL
8 ARTICLE.

9 (2) MONEY IN THE EDUCATION TRUST FUND SHALL BE INVESTED AND
10 REINVESTED BY THE TREASURER, AND INTEREST AND EARNINGS SHALL ACCRUE TO
11 THE FUND.

12 (C) THE MONEY IN THE EDUCATION TRUST FUND SHALL BE USED TO OFFSET
13 THE TOTAL FUNDING REQUIRED TO PROVIDE AN ADEQUATE EDUCATION FOR
14 CHILDREN ATTENDING PUBLIC SCHOOLS IN THE STATE IN PREKINDERGARTEN
15 THROUGH GRADE 12, THROUGH IMPLEMENTATION OF THE PROGRAMS COMMONLY
16 KNOWN AS THE BRIDGE TO EXCELLENCE IN PUBLIC SCHOOLS ACT, FIRST ENACTED
17 BY CHAPTER 288 OF THE ACTS OF THE GENERAL ASSEMBLY OF 2002.

18 (D) EXPENDITURES FROM THE EDUCATION TRUST FUND SHALL BE MADE
19 EACH FISCAL YEAR IN ACCORDANCE WITH THE STATE BUDGET.

20

Article - Tax - General

21 2-608.2.

22 AFTER MAKING THE DISTRIBUTIONS REQUIRED UNDER §§ 2-604 THROUGH
23 2-608.1 OF THIS SUBTITLE, FOR EACH FISCAL YEAR THE COMPTROLLER SHALL
24 DISTRIBUTE TO THE EDUCATION TRUST FUND ESTABLISHED UNDER § 5-201.1 OF THE
25 EDUCATION ARTICLE AN AMOUNT EQUAL TO 100% OF THE ADDITIONAL STATE
26 INCOME TAX REVENUES FROM INDIVIDUALS RESULTING FROM CHAPTER ____ OF
27 THE ACTS OF 2004 (S.B. ____)(4LR2200), AS DETERMINED BY THE COMPTROLLER.

28 2-609.

29 After making the distributions required under §§ 2-604 through [2-608.1]
30 2-608.2 of this subtitle, the Comptroller shall distribute the remaining income tax
31 revenue from individuals to the General Fund of the State.

32 10-105.

33 (a) The State income tax rate for an individual OTHER THAN A HUSBAND AND
34 WIFE FILING A JOINT INCOME TAX RETURN is:

35 (1) [2%] 0% of Maryland taxable income of \$1 through [\$1,000] \$3,000;

- 1 (2) [3%] 5% of Maryland taxable income of [\$1,001] \$3,001 through
2 [\$2,000] \$70,000;
- 3 (3) [4%] 5.5% of Maryland taxable income of [\$2,001] \$70,001 through
4 [\$3,000] \$120,000;
- 5 (4) 6% OF MARYLAND TAXABLE INCOME OF \$120,001 THROUGH \$333,333;
6 and
- 7 [(4)] (5) 6.5% [for] OF Maryland taxable income in excess of [\$3,000:]
8 \$333,333.
- 9 (i) 4.875% for a taxable year beginning after December 31, 1997
10 but before January 1, 1999;
- 11 (ii) 4.85% for a taxable year beginning after December 31, 1998 but
12 before January 1, 2000;
- 13 (iii) 4.85% for a taxable year beginning after December 31, 1999 but
14 before January 1, 2001;
- 15 (iv) 4.8% for a taxable year beginning after December 31, 2000 but
16 before January 1, 2002; and
- 17 (v) 4.75% for a taxable year beginning after December 31, 2001.]

18 (B) FOR A HUSBAND AND WIFE FILING A JOINT INCOME TAX RETURN, THE
19 STATE INCOME TAX RATE, APPLICABLE TO THE JOINT MARYLAND TAXABLE INCOME
20 OF THE HUSBAND AND WIFE, IS:

- 21 (1) 0% OF MARYLAND TAXABLE INCOME OF \$1 THROUGH \$3,000;
- 22 (2) 5% OF MARYLAND TAXABLE INCOME OF \$3,001 THROUGH \$110,000;
- 23 (3) 5.5% OF MARYLAND TAXABLE INCOME OF \$110,001 THROUGH \$170,000;
- 24 (4) 6% OF MARYLAND TAXABLE INCOME OF \$170,001 THROUGH \$333,333;
25 AND
- 26 (5) 6.5% OF MARYLAND TAXABLE INCOME IN EXCESS OF \$333,333.
- 27 [(b)] (C) The State income tax rate for a corporation is 7% of Maryland taxable
28 income.

29 [(c) For a husband and wife filing a joint income tax return, the rates specified
30 in subsection (a) of this section apply to the joint Maryland taxable income of the
31 husband and wife.]

32 SECTION 2. AND BE IT FURTHER ENACTED, That the Comptroller shall
33 issue new employer withholding tables, to be effective as of July 1, 2004, reflecting the
34 new tax rates and rate brackets under this Act. The Comptroller shall waive any

1 interest or penalty imposed on an individual relating to payment of estimated income
2 tax for calendar year 2004 to the extent the Comptroller determines that the interest
3 or penalty would not have been incurred but for an increase in the income tax rates
4 for calendar year 2004 under this Act.

5 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
6 July 1, 2004, and shall be applicable to all taxable years beginning after December 31,
7 2003.