
By: **Delegates Franchot, Benson, Bronrott, Burns, Conroy, Hubbard, and Mandel**

Introduced and read first time: February 2, 2005

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax Reform - Revenues for Higher Education**

3 FOR the purpose of establishing the Public Higher Education Fund; specifying that
4 the Fund is a special, nonlapsing fund; specifying that the State Treasurer shall
5 hold the Fund separately, and that the Comptroller shall account for the Fund;
6 specifying that the Fund consists of certain revenues and other moneys accepted
7 for certain purposes; requiring certain investment earnings to be credited to the
8 Fund; allowing the Fund to be used only for certain purposes and under certain
9 circumstances; requiring the Comptroller to distribute certain income tax
10 revenue for each fiscal year to the Public Higher Education Fund; altering
11 certain tax rates and rate brackets under the State income tax on individuals;
12 requiring the Comptroller to issue new employer withholding tables reflecting
13 certain rates and rate brackets; requiring the Comptroller to waive certain
14 interest and penalty for a certain taxable year; providing for the application of
15 this Act; and generally relating to the alteration of income tax rates and rate
16 brackets and additional revenue to fund public institutions of higher education.

17 BY adding to
18 Article - Education
19 Section 15-106.5
20 Annotated Code of Maryland
21 (2004 Replacement Volume and 2004 Supplement)

22 BY adding to
23 Article - Tax - General
24 Section 2-608.2
25 Annotated Code of Maryland
26 (2004 Replacement Volume)

27 BY repealing and reenacting, with amendments,
28 Article - Tax - General
29 Section 2-609 and 10-105
30 Annotated Code of Maryland

1 (2004 Replacement Volume)

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

4 **Article - Education**

5 15-106.5.

6 (A) IN THIS SECTION, "FUND" MEANS THE PUBLIC HIGHER EDUCATION FUND.

7 (B) (1) THERE IS A PUBLIC HIGHER EDUCATION FUND.

8 (2) THE PURPOSE OF THE FUND IS TO SUPPLEMENT GENERAL FUND
9 APPROPRIATIONS TO PUBLIC SENIOR HIGHER EDUCATION INSTITUTIONS.

10 (C) (1) THE FUND IS A SPECIAL, NONLAPSING FUND THAT IS NOT SUBJECT
11 TO § 7-302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.

12 (2) THE TREASURER SHALL HOLD THE FUND AND THE COMPTROLLER
13 SHALL ACCOUNT FOR THE FUND.

14 (3) THE PROCEEDS OF THE FUND SHALL BE INVESTED AND
15 REINVESTED.

16 (4) ANY INVESTMENT EARNINGS SHALL BE PAID INTO THE FUND.

17 (D) THE FUND CONSISTS OF:

18 (1) REVENUES DISTRIBUTED TO THE FUND UNDER § 2-608.2 OF THE TAX
19 - GENERAL ARTICLE; AND

20 (2) ANY OTHER MONEY FROM ANY OTHER SOURCE ACCEPTED FOR THE
21 BENEFIT OF THE FUND.

22 (E) THE COMMISSION SHALL ADMINISTER THE FUND.

23 (F) (1) MONEY IN THE FUND MAY ONLY BE EXPENDED TO SUPPLEMENT
24 GENERAL FUND APPROPRIATIONS TO PUBLIC SENIOR HIGHER EDUCATION
25 INSTITUTIONS.

26 (2) EXPENDITURES FROM THE FUND MAY ONLY BE MADE IN
27 ACCORDANCE WITH AN APPROPRIATION APPROVED BY THE GENERAL ASSEMBLY IN
28 THE ANNUAL STATE BUDGET.

29 **Article - Tax - General**

30 2-608.2.

31 AFTER MAKING THE DISTRIBUTIONS REQUIRED UNDER §§ 2-604 THROUGH
32 2-608.1 OF THIS SUBTITLE, FOR EACH FISCAL YEAR THE COMPTROLLER SHALL

1 DISTRIBUTE TO THE PUBLIC HIGHER EDUCATION FUND ESTABLISHED UNDER §
 2 15-106.5 OF THE EDUCATION ARTICLE AN AMOUNT EQUAL TO 100% OF THE
 3 ADDITIONAL STATE INCOME TAX REVENUES RESULTING FROM CHAPTER _____ OF
 4 THE ACTS OF 2005 (H.B. _____)(5LR1407), AS DETERMINED BY THE COMPTROLLER.

5 2-609.

6 After making the distributions required under §§ 2-604 through [2-608.1]
 7 2-608.2 of this subtitle, the Comptroller shall distribute the remaining income tax
 8 revenue from individuals to the General Fund of the State.

9 10-105.

10 (a) The State income tax rate for an individual OTHER THAN ONE DESCRIBED
 11 IN SUBSECTION (B) OF THIS SECTION is:

- 12 (1) 2% of Maryland taxable income of \$1 through \$1,000;
 13 (2) 3% of Maryland taxable income of \$1,001 through \$2,000;
 14 (3) 4% of Maryland taxable income of \$2,001 through \$3,000;
 15 (4) 4.75% OF MARYLAND TAXABLE INCOME OF \$3,001 THROUGH \$200,000;
 16 and

17 [(4)] (5) [for] 5.25% OF Maryland taxable income in excess of [\$3,000:]
 18 \$200,000.

19 [(i) 4.875% for a taxable year beginning after December 31, 1997
 20 but before January 1, 1999;

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

23 [(iii) 4.85% for a taxable year beginning after December 31, 1999 but
 24 before January 1, 2001;

25 [(iv) 4.8% for a taxable year beginning after December 31, 2000 but
 26 before January 1, 2002; and

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

28 (B) THE STATE INCOME TAX RATE FOR SPOUSES FILING A JOINT RETURN OR
 29 FOR A SURVIVING SPOUSE OR HEAD OF HOUSEHOLD AS DEFINED UNDER § 2 OF THE
 30 INTERNAL REVENUE CODE IS:

- 31 (1) 2% OF MARYLAND TAXABLE INCOME OF \$1 THROUGH \$1,000;
 32 (2) 3% OF MARYLAND TAXABLE INCOME OF \$1,001 THROUGH \$2,000;
 33 (3) 4% OF MARYLAND TAXABLE INCOME OF \$2,001 THROUGH \$3,000;

1 (4) 4.75% OF MARYLAND TAXABLE INCOME OF \$3,001 THROUGH \$250,000;

2 AND

3 (5) 5.25% OF MARYLAND TAXABLE INCOME IN EXCESS OF \$250,000.

4 [(b)] (C) The State income tax rate for a corporation is 7% of Maryland taxable
5 income.

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

9 SECTION 2. AND BE IT FURTHER ENACTED, That the Comptroller shall
10 issue new employer withholding tables, to be effective as of July 1, 2005, reflecting the
11 new tax rates and rate brackets under this Act. The Comptroller shall waive any
12 interest or penalty imposed on an individual relating to payment of estimated income
13 tax for calendar year 2005 to the extent the Comptroller determines that the interest
14 or penalty would not have been incurred but for an increase in the income tax rates
15 for calendar year 2005 under this Act.

16 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
17 July 1, 2005, and shall be applicable to all taxable years beginning after December 31,
18 2004.