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By: **Delegate Kach**

Introduced and read first time: February 2, 2006

Assigned to: Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

2 **County Income Tax - Subtraction Modification and Filing Requirements for**  
3 **Nonresidents**

4 FOR the purpose of providing a certain exception to a certain subtraction  
5 modification under the Maryland income tax for certain nonresident income  
6 earned in Maryland under certain circumstances; altering the conditions under  
7 which a nonresident individual is exempted from the requirements for filing a  
8 Maryland income tax return for county income tax purposes; providing for the  
9 application of this Act; and generally relating to an income tax subtraction  
10 modification for nonresidents and nonresident income tax returns.

11 BY repealing and reenacting, without amendments,  
12 Article - Tax - General  
13 Section 10-103(a)(4) and 10-210(a)  
14 Annotated Code of Maryland  
15 (2004 Replacement Volume and 2005 Supplement)

16 BY repealing and reenacting, with amendments,  
17 Article - Tax - General  
18 Section 10-210(e) and 10-806  
19 Annotated Code of Maryland  
20 (2004 Replacement Volume and 2005 Supplement)

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

23 **Article - Tax - General**

24 10-103.

25 (a) Each county shall have a county income tax on the Maryland taxable  
26 income of:

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

4 10-210.

5 (a) The amounts under this section are subtracted from the federal adjusted  
6 gross income of a nonresident to determine Maryland adjusted gross income.

7 (e) (1) [The] EXCEPT AS PROVIDED UNDER PARAGRAPH (2) OF THIS  
8 SUBSECTION, THE subtraction under subsection (a) of this section includes income  
9 derived from wages, as defined in § 10-905(f) of this title, that are earned in this  
10 State if the Comptroller and the state in which the nonresident resides have agreed in  
11 writing to allow a reciprocal exemption from tax and withholding for the wages of  
12 residents of each state that are earned in the other state.

13 (2) FOR COUNTY INCOME TAX PURPOSES, THE SUBTRACTION UNDER  
14 PARAGRAPH (1) OF THIS SUBSECTION DOES NOT APPLY IF THE NONRESIDENT IS  
15 REQUIRED TO FILE AN INCOME TAX RETURN UNDER § 10-806(C) OF THIS TITLE.

16 10-806.

17 (a) Except as provided in subsection (b) of this section, each nonresident who  
18 has Maryland taxable income and is required to file a federal income tax return shall  
19 file an income tax return.

20 (b) A nonresident dependent who has Maryland taxable income shall file an  
21 income tax return if the dependent meets the requirements under § 10-805(b) of this  
22 subtitle.

23 (c) For county income tax purposes, a nonresident who derives income from  
24 salary, wages, or other compensation for personal services for employment in a county  
25 shall file an income tax return, unless the Comptroller determines that each locality  
26 in which the nonresident resides:

27 (1) (I) imposes no tax on the income of a Maryland resident derived  
28 from wages for employment in that locality;

29 [(2)] (II) exempts that income from its tax on income; or

30 [(3)] (III) allows a credit for that income and exempts that income from  
31 the withholding requirements for its tax on income; AND

32 (2) IMPOSES NO OTHER TAX ON A MARYLAND RESIDENT THAT IS  
33 ATTRIBUTABLE TO THE MARYLAND RESIDENT'S EMPLOYMENT IN THAT LOCALITY.

34 (d) (1) Notwithstanding the provisions of subsection (a) of this section,  
35 except as provided in paragraph (2) of this subsection, a nonresident individual who is  
36 not otherwise required to file a return shall file a return if the individual:

- 1 (i) is not a dependent;
- 2 (ii) is required to file a federal income tax return; and
- 3 (iii) has income or losses derived from a business, occupation,  
4 profession, or trade carried on in this State.

5 (2) [A] SUBJECT TO SUBSECTION (C) OF THIS SECTION, A nonresident  
6 individual is not required to file a return if:

7 (i) the individual's only income in this State is wages, as defined in  
8 § 10-905(f) of this title, that are earned in this State; and

9 (ii) the Comptroller and the state in which the nonresident resides  
10 have agreed in writing to allow a reciprocal exemption from tax and withholding for  
11 the wages of residents of each state that are earned in the other state.

12 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
13 July 1, 2006, and shall be applicable to all taxable years beginning after December 31,  
14 2005.