

# HOUSE BILL 1420

Q3

71r3348

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By: **Delegates Hixson and Barve**

Rules suspended

Introduced and read first time: March 6, 2007

Assigned to: Rules and Executive Nominations

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## A BILL ENTITLED

1 AN ACT concerning

2 **Individual Income Tax – Rates**

3 FOR the purpose of altering the rates and rate brackets under the Maryland income  
4 tax on individuals; repealing a Maryland income tax subtraction modification  
5 for certain income of certain spouses filing joint returns; altering the calculation  
6 of the rate of a certain tax imposed on certain pass-through entities; altering  
7 the calculation of the rate of income tax withholding required under certain  
8 circumstances; altering the calculation of the rate of tax that must be paid to  
9 the clerk of the circuit court for a county or to the Department of Assessments  
10 and Taxation prior to the recording of certain deeds for the sale of certain  
11 property; providing for the application of this Act; and generally relating to the  
12 alteration of rates and rate brackets under the Maryland income tax on  
13 individuals.

14 BY repealing and reenacting, with amendments,  
15 Article – Tax – General  
16 Section 10–102.1(d)(1), 10–105, 10–908(d) through (f), and 10–912(c)  
17 Annotated Code of Maryland  
18 (2004 Replacement Volume and 2006 Supplement)

19 BY repealing  
20 Article – Tax – General  
21 Section 10–207(r)  
22 Annotated Code of Maryland  
23 (2004 Replacement Volume and 2006 Supplement)

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

3 **Article – Tax – General**

4 10–102.1.

5 (d) (1) Except as provided in paragraph (2) of this subsection, the tax  
6 imposed under subsection (b) of this section is the sum of:

7 (i) a rate equal to the sum of the rate of the tax imposed under  
8 § 10–106.1 of this title and [the top marginal State tax rate for individuals under §  
9 10–105(a)(4) of this subtitle] **4.75%** applied to the sum of each nonresident individual  
10 member’s distributive share or pro–rata share of a pass–through entity’s nonresident  
11 taxable income; and

12 (ii) the rate of the tax for a corporation under § 10–105(b) of this  
13 subtitle applied to the sum of each nonresident entity member’s distributive share or  
14 pro–rata share of a pass–through entity’s nonresident taxable income.

15 10–105.

16 (a) (1) **[The] FOR AN INDIVIDUAL OTHER THAN AN INDIVIDUAL**  
17 **DESCRIBED IN PARAGRAPH (2) OF THIS SUBSECTION, THE** State income tax rate  
18 **[for an individual]** is:

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

20 [(2) (I) 3% of Maryland taxable income of [\$1,001 through \$2,000]  
21 **\$1 THROUGH \$5,000;**

22 [(3) (II) 4% of Maryland taxable income of [\$2,001 through \$3,000]  
23 **\$5,001 THROUGH \$15,000; [and]**

24 (III) **4.75% OF MARYLAND TAXABLE INCOME OF \$15,001**  
25 **THROUGH \$150,000; AND**

26 [(4) (IV) 6% for Maryland taxable income in excess of [\$3,000:]  
27 **\$150,000.**

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

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

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

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

9                    (v) 4.75% for a taxable year beginning after December 31,  
10 2001.]

11                    **(2) FOR SPOUSES FILING A JOINT RETURN OR FOR A SURVIVING**  
12 **SPOUSE OR HEAD OF HOUSEHOLD AS DEFINED IN § 2 OF THE INTERNAL**  
13 **REVENUE CODE, THE STATE INCOME TAX RATE IS:**

14                    **(I) 3% OF MARYLAND TAXABLE INCOME OF \$1 THROUGH**  
15 **\$7,500;**

16                    **(II) 4% OF MARYLAND TAXABLE INCOME OF \$7,501**  
17 **THROUGH \$22,500;**

18                    **(III) 4.75% OF MARYLAND TAXABLE INCOME OF \$22,501**  
19 **THROUGH \$225,000; AND**

20                    **(IV) 6% FOR MARYLAND TAXABLE INCOME IN EXCESS OF**  
21 **\$225,000.**

22                    (b) The State income tax rate for a corporation is 7% of Maryland taxable  
23 income.

24                    (c) For a husband and wife filing a joint income tax return, the rates  
25 specified in subsection (a) of this section apply to the joint Maryland taxable income of  
26 the husband and wife.

27 10-207.

1           [(r) (1) In this subsection, “modified Maryland adjusted gross income”  
2 means Maryland adjusted gross income determined separately for each spouse on a  
3 joint return without regard to the subtraction allowed under this subsection.

4           (2) For a two-income married couple filing a joint return, the  
5 subtraction under subsection (a) of this section includes the lesser of \$1,200 or the  
6 modified Maryland adjusted gross income of the spouse with the lesser modified  
7 Maryland adjusted gross income for the taxable year.]

8 10-908.

9           (d) A payor shall withhold from a payment subject to withholding of  
10 winnings derived from wagering:

11           (1) if the payee is a resident, [a rate equal to the sum of 3.0% and the  
12 top marginal State income tax rate for individuals under § 10-105(a) of this title,  
13 applied to] **7.75% OF** the payment; and

14           (2) if the payee is a nonresident, a rate equal to the sum of the rate of  
15 the tax imposed under § 10-106.1 of this title and [the top marginal State income tax  
16 rate for individuals under § 10-105(a) of this title] **4.75%**, applied to the payment.

17           (e) The Board of Trustees of the State Retirement and Pension System shall  
18 withhold from a payment of a death benefit to a resident payee the sum of:

19           (1) [the top marginal State income tax rate for individuals under §  
20 10-105(a) of this title applied to] **4.75% OF** the payment; and

21           (2) the county income tax rate applied to the payment.

22           (f) If a payment to a resident payee is a designated distribution that is an  
23 eligible rollover distribution within the meaning of § 3405(c) of the Internal Revenue  
24 Code and the payment is subject to mandatory withholding of federal income tax, the  
25 payor shall withhold from the payment [the sum of 3% and the top marginal State  
26 income tax rate for individuals under § 10-105(a) of this title, applied to] **7.75% OF**  
27 the payment.

28 10-912.

29           (c) Except as otherwise provided in this section, in a sale or exchange of real  
30 property and associated tangible personal property owned by a nonresident or  
31 nonresident entity, the deed or other instrument of writing that effects a change of

1 ownership on the assessment books under the Tax – Property Article may not be  
2 recorded with the clerk of the circuit court for a county or filed with the Department of  
3 Assessments and Taxation unless payment is made to the clerk of the circuit court for  
4 a county or the Department of Assessments and Taxation in an amount equal to:

5 (1) the sum of the rate of the tax imposed under § 10–106.1 of this title  
6 and [the top marginal State income tax rate for individuals under § 10–105(a) of this  
7 title] **4.75%**, applied to the total payment to a nonresident; or

8 (2) 7% of the total payment to a nonresident entity.

9 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
10 July 1, 2007, and shall be applicable to all taxable years beginning after December 31,  
11 2007.