

# HOUSE BILL 836

Q3

2lr2799

---

By: **Delegates Healey, Branch, Gaines, Hixson, Howard, Ivey, Kaiser, Rosenberg, Ross, Stukes, Summers, Tarrant, F. Turner, V. Turner, and Walker**

Introduced and read first time: February 9, 2012

Assigned to: Ways and Means

---

## A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Repeal of the 1997 Tax Reduction**

3 FOR the purpose of altering the State income tax rate on certain income of  
4 individuals; altering the maximum county income tax rate a county may  
5 impose; altering the amount that must be withheld from certain payments;  
6 requiring the Comptroller to waive certain interest and penalties for a certain  
7 calendar year to a certain extent; repealing obsolete provisions; providing for  
8 the application of this Act; and generally relating to altering the State and  
9 county income tax rates.

10 BY repealing and reenacting, with amendments,  
11 Article – Tax – General  
12 Section 10–105(a), 10–106(a)(1), and 10–908(e) and (f)  
13 Annotated Code of Maryland  
14 (2010 Replacement Volume and 2011 Supplement)

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

17 **Article – Tax – General**

18 10–105.

19 (a) (1) [Except as provided in paragraph (3) of this subsection, for] **FOR**  
20 an individual other than an individual described in paragraph (2) of this subsection,  
21 the State income tax rate is:

22 (i) 2% of Maryland taxable income of \$1 through \$1,000;

---

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



- 1 (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;
- 2 (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;
- 3 (iv) ~~[4.75%]~~ **5%** of Maryland taxable income of \$3,001 through  
4 \$150,000;
- 5 (v) ~~[5%]~~ **5.25%** of Maryland taxable income of \$150,001  
6 through \$300,000;
- 7 (vi) ~~[5.25%]~~ **5.5%** of Maryland taxable income of \$300,001  
8 through \$500,000; and
- 9 (vii) ~~[5.5%]~~ **5.75%** of Maryland taxable income in excess of  
10 \$500,000.

11 (2) ~~[Except as provided in paragraph (3) of this subsection, for]~~ **FOR**  
12 spouses filing a joint return or for a surviving spouse or head of household as defined  
13 in § 2 of the Internal Revenue Code, the State income tax rate is:

- 14 (i) 2% of Maryland taxable income of \$1 through \$1,000;
- 15 (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;
- 16 (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;
- 17 (iv) ~~[4.75%]~~ **5%** of Maryland taxable income of \$3,001 through  
18 \$200,000;
- 19 (v) ~~[5%]~~ **5.25%** of Maryland taxable income of \$200,001  
20 through \$350,000;
- 21 (vi) ~~[5.25%]~~ **5.5%** of Maryland taxable income of \$350,001  
22 through \$500,000; and
- 23 (vii) ~~[5.5%]~~ **5.75%** of Maryland taxable income in excess of  
24 \$500,000.

25 ~~[(3) For a taxable year beginning after December 31, 2007, but before~~  
26 January 1, 2011, the State income tax for an individual, including spouses filing a  
27 joint return or a surviving spouse or head of household as defined in § 2 of the Internal  
28 Revenue Code, is:

- 29 (i) for Maryland taxable income up to \$500,000, the rate  
30 specified in paragraph (1)(i) through (vi) or (2)(i) through (vi) of this subsection; and

- 1 (ii) for Maryland taxable income in excess of \$500,000:
- 2 1. 5.5% of Maryland taxable income of \$500,001 through  
3 \$1,000,000; and
- 4 2. 6.25% of Maryland taxable income in excess of  
5 \$1,000,000.]
- 6 10–106.

7 (a) (1) Each county shall set, by ordinance or resolution, a county income  
8 tax equal to at least 1% but not more than [the percentage] **3.325%** of an individual's  
9 Maryland taxable income [as follows:

- 10 (i) 3.05% for a taxable year beginning after December 31, 1998  
11 but before January 1, 2001;
- 12 (ii) 3.10% for a taxable year beginning after December 31, 2000  
13 but before January 1, 2002; and
- 14 (iii) 3.20% for a taxable year beginning after December 31,  
15 2001].

16 10–908.

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) [~~4.75%~~] **5%** of the payment; and
- 20 (2) the county income tax rate applied to the payment.

21 (f) If a payment to a resident payee is a designated distribution that is an  
22 eligible rollover distribution within the meaning of § 3405(c) of the Internal Revenue  
23 Code and the payment is subject to mandatory withholding of federal income tax, the  
24 payor shall withhold from the payment an amount equal to [~~7.75%~~] **8%** of the  
25 payment.

26 SECTION 2. AND BE IT FURTHER ENACTED, That the Comptroller shall  
27 waive any interest or penalty imposed on an individual relating to payment of  
28 estimated income tax for calendar year 2012 to the extent that the Comptroller  
29 determines that the interest or penalty would not have been incurred but for an  
30 increase in the income tax rates for calendar year 2012 under Section 1 of this Act.

1           SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
2 July 1, 2012, and shall be applicable to all taxable years beginning after December 31,  
3 2011.