

# SENATE BILL 323

Q3

2lr1818

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By: **Senator Manno**

Introduced and read first time: January 27, 2012

Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Rate Increase and Personal Exemption Reduction**

3 FOR the purpose of altering the State income tax rate on certain income of  
4 individuals; altering the amount allowed as a deduction for certain exemptions  
5 under the Maryland income tax; altering the amount that must be withheld  
6 from certain payments; requiring the Comptroller to waive certain interest and  
7 penalties for a certain calendar year to a certain extent; repealing an obsolete  
8 provision; providing for the application of this Act; making this Act contingent  
9 on the taking effect of another Act; and generally relating to altering the  
10 calculation of the State income tax.

11 BY repealing and reenacting, with amendments,  
12 Article – Tax – General  
13 Section 10–105(a), 10–211, and 10–908(e) and (f)  
14 Annotated Code of Maryland  
15 (2010 Replacement Volume and 2011 Supplement)

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

18 **Article – Tax – General**

19 10–105.

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

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

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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 10–211.

7 (a) Except as provided in subsection (b) of this section, whether or not a  
8 federal return is filed, to determine Maryland taxable income, an individual other  
9 than a fiduciary may deduct as an exemption:

- 10 (1) ~~[\$3,200]~~ **\$1,200** for each exemption that the individual may  
11 deduct in the taxable year to determine federal taxable income under § 151 of the  
12 Internal Revenue Code;
- 13 (2) an additional ~~[\$3,200]~~ **\$1,200** for each dependent, as defined in §  
14 152 of the Internal Revenue Code, who is at least 65 years old on the last day of the  
15 taxable year;
- 16 (3) an additional \$1,000 if the individual, on the last day of the taxable  
17 year, is at least 65 years old; and
- 18 (4) an additional \$1,000 if the individual, on the last day of the taxable  
19 year, is a blind individual, as described in § 10–208(c) of this subtitle.

20 (b) (1) If an individual other than one described in paragraph (2) of this  
21 subsection has federal adjusted gross income for the taxable year greater than  
22 \$100,000, the amount allowed for each exemption under subsection (a)(1) or (2) of this  
23 section is limited to:

- 24 (i) ~~[\$2,400]~~ **\$900** if federal adjusted gross income for the  
25 taxable year does not exceed \$125,000;
- 26 (ii) ~~[\$1,800]~~ **\$675** if federal adjusted gross income for the  
27 taxable year is greater than \$125,000 but not greater than \$150,000;
- 28 (iii) ~~[\$1,200]~~ **\$450** if federal adjusted gross income for the  
29 taxable year is greater than \$150,000 but not greater than \$200,000; and
- 30 (iv) ~~[\$600]~~ **\$225** if federal adjusted gross income for the taxable  
31 year is greater than \$200,000.

1           (2) If a married couple filing a joint return or an individual described  
2 in § 2 of the Internal Revenue Code as a head of household or as a surviving spouse  
3 has federal adjusted gross income for the taxable year greater than \$150,000, the  
4 amount allowed for each exemption under subsection (a)(1) or (2) of this section is  
5 limited to:

6           (i) ~~[\$2,400]~~ **\$900** if federal adjusted gross income for the  
7 taxable year does not exceed \$175,000;

8           (ii) ~~[\$1,800]~~ **\$675** if federal adjusted gross income for the  
9 taxable year is greater than \$175,000 but not greater than \$200,000;

10           (iii) ~~[\$1,200]~~ **\$450** if federal adjusted gross income for the  
11 taxable year is greater than \$200,000 but not greater than \$250,000; and

12           (iv) ~~[\$600]~~ **\$225** if federal adjusted gross income for the taxable  
13 year is greater than \$250,000.

14 10-908.

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

17           (1) ~~[4.75%]~~ **5%** of the payment; and

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

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

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

29           SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
30 July 1, 2012, contingent on the taking effect of Chapter \_\_\_\_ (S.B. \_\_\_\_/H.B. \_\_\_\_)  
31 (2lr1817) of the Acts of the General Assembly of 2012, and if Chapter \_\_\_\_ (S.B.  
32 \_\_\_\_/H.B. \_\_\_\_) (2lr1817) does not become effective, this Act shall be null and void  
33 without the necessity of further action by the General Assembly. It shall be applicable  
34 to all taxable years beginning after December 31, 2011.