

HOUSE BILL 328

Q3

4lr1957

By: **Delegates Serafini and F. Turner**

Introduced and read first time: January 22, 2014

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Flat Tax**

3 FOR the purpose of altering the State and county income tax rates on certain income
4 of individuals; providing for the application of this Act; and generally relating to
5 the State and county income tax rates on income of individuals.

6 BY repealing and reenacting, with amendments,
7 Article – Tax – General
8 Section 10–105
9 Annotated Code of Maryland
10 (2010 Replacement Volume and 2013 Supplement)

11 BY repealing
12 Article – Tax – General
13 Section 10–106
14 Annotated Code of Maryland
15 (2010 Replacement Volume and 2013 Supplement)

16 BY adding to
17 Article – Tax – General
18 Section 10–106
19 Annotated Code of Maryland
20 (2010 Replacement Volume and 2013 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 10–105.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 [(a) (1) For an individual other than an individual described in paragraph
2 (2) of this subsection, the State income tax rate is:

- 3 (i) 2% of Maryland taxable income of \$1 through \$1,000;
- 4 (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;
- 5 (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;
- 6 (iv) 4.75% of Maryland taxable income of \$3,001 through
7 \$100,000;
- 8 (v) 5% of Maryland taxable income of \$100,001 through
9 \$125,000;
- 10 (vi) 5.25% of Maryland taxable income of \$125,001 through
11 \$150,000;
- 12 (vii) 5.5% of Maryland taxable income of \$150,001 through
13 \$250,000; and
- 14 (viii) 5.75% of Maryland taxable income in excess of \$250,000.

15 (2) For spouses filing a joint return or for a surviving spouse or head of
16 household as defined in § 2 of the Internal Revenue Code, the State income tax rate is:

- 17 (i) 2% of Maryland taxable income of \$1 through \$1,000;
- 18 (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;
- 19 (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;
- 20 (iv) 4.75% of Maryland taxable income of \$3,001 through
21 \$150,000;
- 22 (v) 5% of Maryland taxable income of \$150,001 through
23 \$175,000;
- 24 (vi) 5.25% of Maryland taxable income of \$175,001 through
25 \$225,000;
- 26 (vii) 5.5% of Maryland taxable income of \$225,001 through
27 \$300,000; and
- 28 (viii) 5.75% of Maryland taxable income in excess of \$300,000.]

1 **(A) FOR AN INDIVIDUAL WITH MARYLAND TAXABLE INCOME IN EXCESS**
2 **OF \$30,000, INCLUDING SPOUSES FILING A JOINT RETURN OR A SURVIVING**
3 **SPOUSE OR HEAD OF HOUSEHOLD AS DEFINED IN § 2 OF THE INTERNAL**
4 **REVENUE CODE, THE STATE INCOME TAX RATE IS 3.5% OF MARYLAND**
5 **TAXABLE INCOME.**

6 (b) The State income tax rate for a corporation is 8.25% of Maryland taxable
7 income.

8 (c) For a married couple filing a joint income tax return, the [rates] **RATE**
9 specified in subsection (a) of this section [apply] **APPLIES** to the joint Maryland
10 taxable income of the married couple.

11 (d) For a nonresident:

12 (1) the [rates] **RATE** specified in subsection (a) of this section [apply]
13 **APPLIES** to the nonresident's Maryland taxable income, calculated without regard to
14 the subtractions under § 10–210(b), (e), and (f) of this title; and

15 (2) the State income tax imposed equals the result obtained under
16 item (1) of this subsection multiplied times a fraction:

17 (i) the numerator of which is the nonresident's Maryland
18 taxable income, calculated with the subtractions under § 10–210(b), (e), and (f) of this
19 title; and

20 (ii) the denominator of which is the nonresident's Maryland
21 taxable income, calculated without regard to the subtractions under § 10–210(b), (e),
22 and (f) of this title.

23 [10–106.

24 (a) (1) Each county shall set, by ordinance or resolution, a county income
25 tax equal to at least 1% but not more than the percentage of an individual's Maryland
26 taxable income as follows:

27 (i) 3.05% for a taxable year beginning after December 31, 1998
28 but before January 1, 2001;

29 (ii) 3.10% for a taxable year beginning after December 31, 2000
30 but before January 1, 2002; and

31 (iii) 3.20% for a taxable year beginning after December 31, 2001.

32 (2) A county income tax rate continues until the county changes the
33 rate by ordinance or resolution.

1 (3) (i) A county may not increase its county income tax rate above
2 2.6% until after the county has held a public hearing on the proposed act, ordinance,
3 or resolution to increase the rate.

4 (ii) The county shall publish at least once each week for 2
5 successive weeks in a newspaper of general circulation in the county:

6 1. notice of the public hearing; and

7 2. a fair summary of the proposed act, ordinance, or
8 resolution to increase the county income tax rate above 2.6%.

9 (4) Notwithstanding paragraph (1) or (2) of this subsection, in Howard
10 County, the county income tax rate may be changed only by ordinance and not by
11 resolution.

12 (b) If a county changes its county income tax rate, the county shall:

13 (1) increase or decrease the rate in increments of one one-hundredth
14 of a percentage point, effective on January 1 of the year that the county designates;
15 and

16 (2) give the Comptroller notice of the rate change and the effective
17 date of the rate change on or before July 1 prior to its effective date.]

18 **10-106.**

19 **THE COUNTY INCOME TAX RATE IS 2.3%.**

20 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
21 July 1, 2014, and shall be applicable to all taxable years beginning after December 31,
22 2014.