

**Department of Legislative Services**  
Maryland General Assembly  
2017 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 134

(Senator Serafini, *et al.*)

Budget and Taxation

**Income Tax - Rates**

This bill reduces State income taxes by (1) exempting the first \$30,000 in net taxable income and (2) establishing specified income tax brackets.

The bill takes effect July 1, 2017, and applies to tax year 2018 and beyond.

**Fiscal Summary**

**State Effect:** General fund revenues decrease by \$1.6 billion in FY 2018 due to the income tax rates and exemption specified by the bill, reflecting the impact of about one-half of a tax year. Future year revenue estimates reflect annualization and the current income tax revenue forecast. General fund expenditures may increase minimally in FY 2018 due to implementation costs at the Comptroller's Office.

(\$ in billions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF Revenue	(\$1.6)	(\$3.2)	(\$3.3)	(\$3.4)	(\$3.5)
Expenditure	0	0	0	0	0
Net Effect	(\$1.6)	(\$3.2)	(\$3.3)	(\$3.4)	(\$3.5)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** None.

**Small Business Effect:** Small businesses that are partnerships, S corporations, limited liability companies, and sole proprietorships will be meaningfully impacted by the bill. Any of these small businesses will be positively impacted through decreased income tax liabilities.

## Analysis

**Current Law/Bill Summary:** Exhibit 1 shows the State income tax rates under current law. Exhibit 2 shows the State income tax rates proposed by the bill beginning in tax year 2018.

---

### Exhibit 1 Maryland State Income Tax Rates Current Law

<b>Single, Dependent Filer, Married Filing Separate</b>		<b>Joint, Head of Household, Widower</b>	
<b><u>Rate</u></b>	<b><u>Maryland Taxable Income</u></b>	<b><u>Rate</u></b>	<b><u>Maryland Taxable Income</u></b>
2.00%	\$1-\$1,000	2.00%	\$1-\$1,000
3.00%	\$1,001-\$2,000	3.00%	\$1,001-\$2,000
4.00%	\$2,001-\$3,000	4.00%	\$2,001-\$3,000
4.75%	\$3,001-\$100,000	4.75%	\$3,001-\$150,000
5.00%	\$100,001-\$125,000	5.00%	\$150,001-\$175,000
5.25%	\$125,001-\$150,000	5.25%	\$175,001-\$225,000
5.50%	\$150,001-\$250,000	5.50%	\$225,001-\$300,000
5.75%	Excess of \$250,000	5.75%	Excess of \$300,000

---

### Exhibit 2 Maryland State Income Tax Rates Proposed – Tax Year 2018

<b>Single, Dependent Filer, Married Filing Separate</b>		<b>Joint, Head of Household, Widower</b>	
<b><u>Rate</u></b>	<b><u>Maryland Taxable Income</u></b>	<b><u>Rate</u></b>	<b><u>Maryland Taxable Income</u></b>
0.00%	\$1-\$30,000	0.00%	\$1-\$30,000
4.50%	\$30,001-\$90,000	4.50%	\$30,001-\$120,000
4.75%	\$90,001-\$190,000	4.75%	\$120,001-\$220,000
5.50%	Excess of \$190,000	5.50%	Excess of \$220,000

---

**State Revenues:** The proposed State income tax rates take effect beginning in tax year 2018. As a result, general fund revenues will decrease by \$1.6 billion in fiscal 2018, which reflects the impact of about one-half of tax year 2018. Future year estimates reflect annualization and the current income tax revenue forecast. **Exhibit 3** shows the estimated impact of the bill on State revenues through fiscal 2022.

---

**Exhibit 3**  
**State Revenue Impacts**  
**Fiscal 2018-2022**  
**(\$ in Billions)**

<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
(\$1.6)	(\$3.2)	(\$3.3)	(\$3.4)	(\$3.5)

---

**State Expenditures:** General fund expenditures for the Comptroller's Office may increase minimally in fiscal 2018 as a result of issuing new employer withholding tables and altering the personal income tax forms.

---

**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Comptroller's Office; Department of Legislative Services

**Fiscal Note History:** First Reader - January 30, 2017  
mm/jrb

---

Analysis by: Robert J. Rehrmann

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510