A BILL ENTITLED

AN ACT concerning

Income Tax – Rates and Itemized Deductions

FOR the purpose of altering the State income tax rate on the Maryland taxable income of certain individuals; allowing an individual to itemize deductions to compute Maryland taxable income whether or not the individual itemizes deductions on the individual’s federal income tax return; providing that Maryland itemized deductions shall be determined in a certain manner for an individual who does not itemize deductions on the individual’s federal income tax return; providing for the application of this Act; and generally relating to the State individual income tax.

BY repealing and reenacting, with amendments,

Article – Tax – General

Section 10–105(a), 10–217(a)(1), and 10–218

Annotated Code of Maryland

(2016 Replacement Volume and 2017 Supplement)

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

Article – Tax – General

10–105.

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

(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.
(ii) 3% of Maryland taxable income of $1,001 through $2,000;

(iii) 4% of Maryland taxable income of $2,001 through $3,000;

(iv) \[4.75\%\] 4.5% of Maryland taxable income of $3,001 through $100,000;

(v) \[5\%\] 4.75% of Maryland taxable income of $100,001 through $125,000;

(vi) \[5.25\%\] 5.15% of Maryland taxable income of $125,001 through $150,000;

(vii) \[5.5\%\] 5.35% of Maryland taxable income of $150,001 through $250,000; and

(viii) 5.75% of Maryland taxable income in excess of $250,000.

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

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

(ii) 3% of Maryland taxable income of $1,001 through $2,000;

(iii) 4% of Maryland taxable income of $2,001 through $3,000;

(iv) \[4.75\%\] 4.5% of Maryland taxable income of $3,001 through $100,000;

(v) \[5\%\] 4.75% of Maryland taxable income of $100,001 through $175,000;

(vi) \[5.25\%\] 5% of Maryland taxable income of $175,001 through $225,000;

(vii) \[5.5\%\] 5.35% of Maryland taxable income of $225,001 through $300,000; and

(viii) 5.75% of Maryland taxable income in excess of $300,000.

(a) (1) (i) Except as otherwise provided in this subsection, an individual may elect to use the standard deduction to compute Maryland taxable income whether or not the individual itemizes deductions on the individual’s federal income tax return in
determining federal taxable income.

(ii) If an individual elects to use the standard deduction on the [federal] MARYLAND income tax return, the individual may not take any itemized deduction in § 10–218 of this subtitle.

10–218.

(a) [Only an individual who itemizes deductions on the individual’s federal income tax return] AN INDIVIDUAL may elect to itemize deductions [on the individual’s income tax return] TO COMPUTE MARYLAND TAXABLE INCOME WHETHER OR NOT THE INDIVIDUAL ITEMIZES DEDUCTIONS ON THE INDIVIDUAL’S FEDERAL INCOME TAX RETURN IN DETERMINING FEDERAL TAXABLE INCOME.

(b) [An] SUBJECT TO SUBSECTION (C) OF THIS SECTION, AN individual who elects to itemize deductions is allowed as a deduction the sum of the individual’s federal itemized deductions:

(1) limited and reduced as required under the Internal Revenue Code;

(2) further reduced by any amount deducted under § 170 of the Internal Revenue Code for contributions of a preservation or conservation easement for which a credit is claimed under § 10–723 of this title; and

(3) further reduced by the amount claimed as taxes on income paid to a state or political subdivision of a state, after subtracting a pro rata portion of the reduction to itemized deductions required under § 68 of the Internal Revenue Code.

(C) FOR AN INDIVIDUAL WHO DOES NOT ITEMIZE DEDUCTIONS ON THE INDIVIDUAL’S FEDERAL INCOME TAX RETURN BUT ELECTS TO ITEMIZE DEDUCTIONS TO COMPUTE MARYLAND TAXABLE INCOME, THE DEDUCTION ALLOWED UNDER SUBSECTION (B) OF THIS SECTION SHALL BE DETERMINED AS IF THE INDIVIDUAL ITEMIZED DEDUCTIONS ON THE INDIVIDUAL’S FEDERAL INCOME TAX RETURN.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2018, and shall be applicable to all taxable years beginning after December 31, 2017.