

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 567 (Senator Serafini)
 Budget and Taxation

Income Tax Rates - Reductions

This bill reduces State income taxes by decreasing the income tax rates of (1) 4.75% to 4.65%; (2) 5% to 4.9%; and (3) 5.25% to 5.15%. **The bill takes effect July 1, 2018, and applies to tax year 2018 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease by \$211.1 million in FY 2019 due to the income tax rates specified by the bill, reflecting the impact of one and one-half tax years. Future year estimates reflect annualization and the current income tax revenue forecast. General fund expenditures may increase minimally in FY 2019 due to one-time implementation costs at the Comptroller’s Office.

(\$ in millions)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Revenue	(\$211.1)	(\$146.5)	(\$149.8)	(\$152.6)	(\$154.2)
GF Expenditure	-	\$0	\$0	\$0	\$0
Net Effect	(\$211.1)	(\$146.5)	(\$149.8)	(\$152.6)	(\$154.2)

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

Local Effect: None.

Small Business Effect: Potential meaningful. Small businesses such as partnerships, S corporations, limited liability companies, and sole proprietorships that are impacted by the bill will realize 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

Single, Dependent Filer, Married Filing Separate		Joint, Head of Household, Widower	
<u>Rate</u>	<u>Maryland Taxable Income</u>	<u>Rate</u>	<u>Maryland Taxable Income</u>
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

Single, Dependent Filer, Married Filing Separate		Joint, Head of Household, Widower	
<u>Rate</u>	<u>Maryland Taxable Income</u>	<u>Rate</u>	<u>Maryland Taxable Income</u>
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
4.65%	\$3,001-\$100,000	4.65%	\$3,001-\$150,000
4.90%	\$100,001-\$125,000	4.90%	\$150,001-\$175,000
5.15%	\$125,001-\$150,000	5.15%	\$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

State Revenues: The proposed State income tax rates take effect beginning in tax year 2018. As a result, general fund revenues will decrease by \$211.1 million in fiscal 2019, which reflects the impact of all of tax year 2018 and about one-half of tax year 2019. 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 2023.

Exhibit 3
State Revenue Impacts
Fiscal 2019-2023
(\$ in Millions)

<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
(\$211.1)	(\$146.5)	(\$149.8)	(\$152.6)	(\$154.2)

State Expenditures: General fund expenditures for the Comptroller's Office may increase minimally in fiscal 2019 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): Department of Legislative Services

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md/hlb

Analysis by: Robert J. Rehrmann

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