

## Chapter 17

**(Senate Bill 133 of the 2021 Regular Session)**

AN ACT concerning

**Local Tax Relief for Working Families Act of 2021**

FOR the purpose of altering the calculation of a certain grant to certain counties under certain circumstances; altering the minimum tax rate that a county is required to impose on an individual's Maryland taxable income; ~~altering the maximum tax rate a county may impose on an individual's Maryland taxable income~~; authorizing a county to impose the county income tax on an income bracket basis under certain circumstances; requiring a county that imposes the county income tax on an income bracket basis to set, by ordinance or resolution, certain income brackets; providing that the income brackets may differ from the income brackets to which the State income tax applies; prohibiting a county that imposes the county income tax on an income tax bracket basis from setting a minimum income tax rate less than a certain amount; prohibiting a county from applying an income tax rate to a certain income bracket that is less than a certain rate ~~or from imposing an income tax rate that is greater than a certain rate except under certain circumstances~~; authorizing a county to request certain information from the Comptroller for a certain purpose; making a conforming change; repealing certain obsolete language; providing for the application of this Act; and generally relating to the county income tax.

BY repealing and reenacting, with amendments,

Article – Local Government

Section 16–501

Annotated Code of Maryland

(2013 Volume and 2020 Supplement)

(As enacted by Chapter 26 of the Acts of the General Assembly of 2021)

BY repealing and reenacting, with amendments,

Article – Tax – General

Section 10–106

Annotated Code of Maryland

(2016 Replacement Volume and 2020 Supplement)

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

**Article – Local Government**

16–501.

(a) Subject to subsection (e) of this section, for each fiscal year, the Comptroller shall pay to an eligible county a grant in the amount determined under subsection (c)(3) of this section.

(b) A county may not receive a grant under subsection (a) of this section if ANY OF the county's income tax [rate was] RATES WERE less than 2.6%:

(1) for the taxable year that ended in the second prior fiscal year; or

(2) for any subsequent taxable year through the taxable year that ends in the current fiscal year.

(c) (1) For each fiscal year, the Comptroller shall determine for each county:

(i) the county income tax collected from individuals for the taxable year that ended in the second prior fiscal year, based on tax returns filed through November 1 of the year following the applicable taxable year; and

(ii) the amount of county income tax that the county would have received if the county income tax rate was 2.54%.

(2) For each fiscal year, the Comptroller shall determine as rounded to the nearest cent:

(i) the per capita yield of the county income tax for each county, based on:

1. the population of the county as last projected by the Maryland Department of Health for July 1 of the applicable taxable year or the latest decennial census for the applicable taxable year; and

2. the amount specified in paragraph (1)(ii) of this subsection; and

(ii) the per capita statewide yield of the county income tax, based on:

1. the State population as last projected by the Maryland Department of Health for July 1 of the applicable taxable year or the latest decennial census for the applicable taxable year; and

2. the amount of county income tax specified in paragraph (1)(ii) of this subsection for all counties.

(3) If the per capita yield of the county income tax for a county determined under paragraph (2)(i) of this subsection is less than 75% of the per capita statewide yield of the county income tax determined under paragraph (2)(ii) of this subsection, the

Comptroller shall determine the amount that would increase the county per capita yield to equal 75% of the statewide per capita yield, as rounded to the nearest dollar.

(d) The Comptroller shall pay to an eligible county the amount determined under subsection (c)(3) of this section in quarterly payments during each fiscal year.

(e) (1) Except as provided in [paragraph (2)] PARAGRAPHS (2) AND (3) of this subsection, for fiscal year 2011 and each subsequent fiscal year, the distribution provided to any county or Baltimore City under this section may not exceed the amount distributed to the county or Baltimore City for fiscal year 2010.

**(2) (i) THIS PARAGRAPH APPLIES TO A COUNTY OR BALTIMORE CITY IF THE COUNTY OR BALTIMORE CITY HAS A SINGLE COUNTY INCOME TAX RATE.**

(II) If a county or Baltimore City has a county income tax rate of at least 2.8% but less than 3%, the county or Baltimore City may receive a minimum of 20% of the amount determined under subsection (c)(3) of this section.

[(ii)] (III) If a county or Baltimore City has a county income tax rate of at least 3% but less than 3.2%, the county or Baltimore City may receive a minimum of 40% of the amount determined under subsection (c)(3) of this section.

[(iii)] (IV) If a county or Baltimore City has a county income tax rate of at least 3.2%:

1. on or before June 30, 2017, the county or Baltimore City may receive a minimum of 60% of the amount determined under subsection (c)(3) of this section;

2. in fiscal year 2018, the county or Baltimore City may receive a minimum of 63.75% of the amount determined under subsection (c)(3) of this section;

3. in fiscal years 2019, 2020, and 2021, the county or Baltimore City may receive a minimum of 67.5% of the amount determined under subsection (c)(3) of this section; and

4. in fiscal year 2022, and each fiscal year thereafter, the county or Baltimore City may receive a minimum of 75% of the amount determined under subsection (c)(3) of this section.

**(3) (I) THIS PARAGRAPH APPLIES TO A COUNTY OR BALTIMORE CITY IF THE COUNTY OR BALTIMORE CITY HAS MORE THAN ONE COUNTY INCOME TAX RATE.**

**(II) IF EACH COUNTY INCOME TAX RATE IMPOSED BY A COUNTY OR BALTIMORE CITY IS AT LEAST 2.8% BUT LESS THAN 3.0%, THE COUNTY OR BALTIMORE CITY MAY RECEIVE A MINIMUM OF 20% OF THE AMOUNT DETERMINED UNDER SUBSECTION (C)(3) OF THIS SECTION.**

**(III) IF THE LOWEST COUNTY INCOME TAX RATE IMPOSED BY A COUNTY OR BALTIMORE CITY IS AT LEAST 2.9% AND EACH COUNTY INCOME TAX RATE IMPOSED ON MARYLAND TAXABLE INCOME GREATER THAN \$100,000 IS AT LEAST 3.0%, THE COUNTY OR BALTIMORE CITY MAY RECEIVE A MINIMUM OF 40% OF THE AMOUNT DETERMINED UNDER SUBSECTION (C)(3) OF THIS SECTION.**

**(IV) IF THE LOWEST COUNTY INCOME TAX RATE IMPOSED BY A COUNTY OR BALTIMORE CITY IS AT LEAST 3.1% AND EACH COUNTY INCOME TAX RATE IMPOSED ON MARYLAND TAXABLE INCOME GREATER THAN \$100,000 IS AT LEAST 3.2%, THE COUNTY OR BALTIMORE CITY MAY RECEIVE A MINIMUM OF 75% OF THE AMOUNT DETERMINED UNDER SUBSECTION (C)(3) OF THIS SECTION.**

### Article – Tax – General

10–106.

(a) (1) Each county shall set, by ordinance or resolution, a county income tax equal to at least [1%] **2.25%** but not more than ~~the percentage of an individual's Maryland taxable income as follows:~~

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

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

~~(iii) 3.20% OF AN INDIVIDUAL'S MARYLAND TAXABLE INCOME for a taxable year beginning after December 31, 2001, ~~BUT BEFORE JANUARY 1, 2022; AND~~~~

~~(H) 3.5% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2021.~~

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

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

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

1. notice of the public hearing; and
2. a fair summary of the proposed act, ordinance, or resolution to increase the county income tax rate above 2.6%.

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

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

- (1) increase or decrease the rate in increments of one one-hundredth of a percentage point, effective on January 1 of the year that the county designates; and
- (2) give the Comptroller notice of the rate **OR INCOME BRACKET** change and the effective date of the rate **OR INCOME BRACKET** change on or before July 1 prior to its effective date.

**(C) (1) FOR ANY COUNTY INCOME TAX RATE THAT IS EFFECTIVE ON OR AFTER JANUARY 1, 2022, THE COUNTY MAY APPLY THE COUNTY INCOME TAX ON A BRACKET BASIS.**

**(2) A COUNTY THAT IMPOSES THE COUNTY INCOME TAX ON A BRACKET BASIS:**

**(I) SHALL SET, BY ORDINANCE OR RESOLUTION, THE INCOME BRACKETS THAT APPLY TO EACH INCOME TAX RATE;**

**(II) MAY SET INCOME BRACKETS THAT DIFFER FROM THE INCOME BRACKETS TO WHICH THE STATE INCOME TAX APPLIES;**

**(III) MAY NOT SET A MINIMUM INCOME TAX RATE LESS THAN 2.25% OF AN INDIVIDUAL'S MARYLAND TAXABLE INCOME; AND**

**(IV) MAY NOT APPLY AN INCOME TAX RATE TO A HIGHER INCOME BRACKET THAT IS LESS THAN THE INCOME TAX RATE APPLIED TO A LOWER INCOME BRACKET.**

**(3) A COUNTY MAY REQUEST INFORMATION FROM THE COMPTROLLER TO ASSIST THE COUNTY IN DETERMINING INCOME BRACKETS AND APPLICABLE INCOME TAX RATES THAT ARE REVENUE-NEUTRAL FOR THE COUNTY.**

~~(D) A COUNTY MAY SET AN INCOME TAX RATE THAT IS GREATER THAN 3.2% ONLY ON MARYLAND TAXABLE INCOME THAT IS IN EXCESS OF TWO TIMES THE MAXIMUM INCOME TAX BRACKET THRESHOLD ESTABLISHED UNDER:~~

~~(1) § 10-105(A)(1) OF THIS SUBTITLE FOR INDIVIDUALS OTHER THAN AN INDIVIDUAL DESCRIBED IN ITEM (2) OF THIS SUBSECTION; AND~~

~~(2) § 10-105(A)(2) OF THIS SUBTITLE FOR SPOUSES FILING A JOINT RETURN OR FOR A SURVIVING SPOUSE OR HEAD OF HOUSEHOLD AS DEFINED IN § 2 OF THE INTERNAL REVENUE CODE.~~

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June 1, 2021, and shall be applicable to all taxable years beginning after December 31, 2021.

**Gubernatorial Veto Override, December 6, 2021.**