

# SENATE BILL 736

Q3, L6

2lr1638

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By: **Senators Simonaire, Ready, Salling, Hough, Carozza, Corderman, Gallion, and Bailey**

Introduced and read first time: February 7, 2022

Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

2 **Real Local Tax Relief for Working Families Act of 2022**

3 FOR the purpose of altering the calculation of a certain grant to certain counties under  
4 certain circumstances; altering the minimum tax rate that a county is required to  
5 impose on an individual's Maryland taxable income; and generally relating to the  
6 county income tax.

7 BY repealing and reenacting, with amendments,

8 Article – Local Government

9 Section 16–501

10 Annotated Code of Maryland

11 (2013 Volume and 2021 Supplement)

12 (As enacted by Chapters 17 and 23 of the Acts of the General Assembly of the 2021  
13 Special Session)

14 BY repealing and reenacting, with amendments,

15 Article – Tax – General

16 Section 10–106

17 Annotated Code of Maryland

18 (2016 Replacement Volume and 2021 Supplement)

19 (As enacted by Chapters 17 and 23 of the Acts of the General Assembly of the 2021  
20 Special Session)

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

23 **Article – Local Government**

24 16–501.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

4 (b) A county may not receive a grant under subsection (a) of this section if any of  
5 the county's income tax rates were less than 2.6%:

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

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

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

10 (i) the county income tax collected from individuals for the taxable  
11 year that ended in the second prior fiscal year, based on tax returns filed through November  
12 1 of the year following the applicable taxable year; and

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

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

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

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

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

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

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

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

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

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

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

5 (e) (1) Except as provided in paragraphs (2) and (3) of this subsection, for fiscal  
6 year 2011 and each subsequent fiscal year, the distribution provided to any county or  
7 Baltimore City under this section may not exceed the amount distributed to the county or  
8 Baltimore City for fiscal year 2010.

9 (2) (i) This paragraph applies to a county or Baltimore City if the  
10 county or Baltimore City has a single county income tax rate.

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

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

17 (iv) If a county or Baltimore City has a county income tax rate of at  
18 least 3.2%:

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

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

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

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

31 (3) (i) This paragraph applies to a county or Baltimore City if the  
32 county or Baltimore City has more than one county income tax rate.

33 (ii) If each county income tax rate imposed by a county or Baltimore  
34 City **ON MARYLAND TAXABLE INCOME GREATER THAN \$500,000** is at least 2.8% [but

1 less than 3.0%], the county or Baltimore City may receive a minimum of 20% of the amount  
2 determined under subsection (c)(3) of this section.

3 (iii) If the [lowest county income tax rate imposed by a county or  
4 Baltimore City is at least 2.9% and each] county income tax rate imposed **BY A COUNTY**  
5 **OR BALTIMORE CITY** on Maryland taxable income greater than **[\$100,000] \$500,000** is  
6 at least 3.0%, the county or Baltimore City may receive a minimum of 40% of the amount  
7 determined under subsection (c)(3) of this section.

8 (iv) If the [lowest county income tax rate imposed by a county or  
9 Baltimore City is at least 3.1% and each] county income tax rate imposed **BY A COUNTY**  
10 **OR BALTIMORE CITY** on Maryland taxable income greater than **[\$100,000] \$500,000** is  
11 at least 3.2%, the county or Baltimore City may receive a minimum of 75% of the amount  
12 determined under subsection (c)(3) of this section.

### 13 Article – Tax – General

14 10–106.

15 (a) (1) Each county shall set, by ordinance or resolution, a county income tax  
16 equal to at least **[2.25%] 1%** but not more than 3.20% of an individual's Maryland taxable  
17 income for a taxable year beginning after December 31, 2001.

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

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

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

25 1. notice of the public hearing; and

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

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

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

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

1                   (2)     give the Comptroller notice of the rate or income bracket change and  
2 the effective date of the rate or income bracket change on or before July 1 prior to its  
3 effective date.

4           (c)     (1)     For any county income tax rate that is effective on or after January 1,  
5 2022, the county may apply the county income tax on a bracket basis.

6                   (2)     A county that imposes the county income tax on a bracket basis:

7                           (i)     shall set, by ordinance or resolution, the income brackets that  
8 apply to each income tax rate;

9                           (ii)    may set income brackets that differ from the income brackets to  
10 which the State income tax applies;

11                           (iii)  may not set a minimum income tax rate less than ~~[2.25%]~~ 1% of  
12 an individual's Maryland taxable income; and

13                           (iv)  may not apply an income tax rate to a higher income bracket that  
14 is less than the income tax rate applied to a lower income bracket.

15                   (3)     A county may request information from the Comptroller to assist the  
16 county in determining income brackets and applicable income tax rates that are  
17 revenue-neutral for the county.

18           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June  
19 1, 2022, and shall be applicable to all taxable years beginning after December 31, 2022.