

HOUSE BILL 470

Q3

4lr1845

By: **Delegate Palakovich Carr**

Introduced and read first time: January 22, 2024

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **County Income Tax – Rate and Income Brackets – Alterations**

3 FOR the purpose of altering, subject to certain limitations, the maximum tax rate that a
4 county may impose on an individual’s Maryland taxable income; limiting the number
5 of brackets that a county that imposes the county income tax on a bracket basis may
6 set; and generally relating to the county income tax.

7 BY repealing and reenacting, with amendments,
8 Article – Tax – General
9 Section 10–106
10 Annotated Code of Maryland
11 (2022 Replacement Volume and 2023 Supplement)

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

14 **Article – Tax – General**

15 10–106.

16 (a) (1) Each county shall set, by ordinance or resolution, a county income tax
17 equal to at least 2.25% but not more than **THE PERCENTAGE OF AN INDIVIDUAL’S**
18 **MARYLAND TAXABLE INCOME AS FOLLOWS:**

19 (I) 3.20% [of an individual’s Maryland taxable income] for a taxable
20 year beginning after December 31, 2001, **BUT BEFORE JANUARY 1, 2026; AND**

21 (II) **3.7% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER**
22 **31, 2025.**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

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

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

8 1. notice of the public hearing; and

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

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

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

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

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

20 (c) (1) For any county income tax rate that is effective on or after January 1,
21 2022, the county may apply the county income tax on a bracket basis.

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

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

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

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

29 (iv) may not apply an income tax rate to a higher income bracket that
30 is less than the income tax rate applied to a lower income bracket; AND

31 (V) MAY NOT SET MORE THAN SIX INCOME TAX BRACKETS EACH

32 FOR:

1 **1. INDIVIDUALS OTHER THAN AN INDIVIDUAL**
2 **DESCRIBED UNDER ITEM 2 OF THIS ITEM; AND**

3 **2. SPOUSES FILING A JOINT RETURN OR A SURVIVING**
4 **SPOUSE OR HEAD OF HOUSEHOLD AS DEFINED IN § 2 OF THE INTERNAL REVENUE**
5 **CODE.**

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

9 **(D) A COUNTY MAY SET AN INCOME TAX RATE THAT IS GREATER THAN 3.2%**
10 **ONLY ON MARYLAND TAXABLE INCOME THAT IS IN EXCESS OF:**

11 **(1) \$250,000 FOR INDIVIDUALS OTHER THAN AN INDIVIDUAL**
12 **DESCRIBED UNDER ITEM (2) OF THIS SUBSECTION; AND**

13 **(2) \$300,000 FOR SPOUSES FILING A JOINT RETURN OR FOR A**
14 **SURVIVING SPOUSE OR HEAD OF HOUSEHOLD AS DEFINED IN § 2 OF THE INTERNAL**
15 **REVENUE CODE.**

16 **(E) IT IS THE INTENT OF THE GENERAL ASSEMBLY THAT A COUNTY THAT**
17 **IMPOSES AN INCOME TAX RATE THAT EXCEEDS 3.2% OF AN INDIVIDUAL'S**
18 **MARYLAND TAXABLE INCOME UTILIZE THE REVENUE ATTRIBUTABLE TO THE**
19 **COUNTY INCOME TAX RATE IN EXCESS OF 3.2% FOR THE FUNDING OF PUBLIC**
20 **EDUCATION AND TRANSPORTATION.**

21 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
22 1, 2024.