

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 748 (Senator Corderman, *et al.*)
 Budget and Taxation

Income Tax - Alteration of Brackets and Rates (Economic Prosperity Act of 2024)

This bill alters the individual income tax rates and brackets under the State income tax. Under the bill, the first \$14,999 of Maryland taxable income (\$29,999 for joint filers, surviving spouses, and heads of household) is not subject to tax. **The bill takes effect July 1, 2024, and applies to tax year 2024 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease by an estimated \$4.8 billion in FY 2025, reflecting the effect of one and one-half tax years. Future years reflect annualization and projected income growth. The Comptroller’s Office can implement the bill’s changes with existing budgeted resources.

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Revenue	(\$4,781.0)	(\$3,334.4)	(\$3,467.8)	(\$3,609.6)	(\$3,757.7)
Expenditure	0	0	0	0	0
Net Effect	(\$4,781.0)	(\$3,334.4)	(\$3,467.8)	(\$3,609.6)	(\$3,757.7)

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

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Current Law/ Bill Summary: Exhibit 1 shows Maryland’s individual income tax rates and income brackets under current law and under the bill.

Exhibit 1
Maryland Individual Income Tax Rates
Current Law vs. the Bill

Under Current Law

Single, Dependent, Married Filing Separately		Joint, Surviving Spouse, Head of Household	
<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

Under the Bill

Single, Dependent, Married Filing Separately		Joint, Surviving Spouse, Head of Household	
<u>Rate</u>	<u>Maryland Taxable Income</u>	<u>Rate</u>	<u>Maryland Taxable Income</u>
0.00%	\$1-\$14,999	0.00%	\$1-\$29,999
4.00%	\$15,000-\$75,000	4.00%	\$30,000-\$90,000
4.50%	\$75,001-\$150,000	4.50%	\$90,001-\$200,000
4.75%	\$150,001-\$200,000	4.75%	\$200,001-\$250,000
5.00%	\$200,001-\$300,000	5.00%	\$250,001-\$350,000
5.50%	\$300,001-\$350,000	5.50%	\$350,001-\$400,000
5.75%	Excess of \$350,000	5.75%	Excess of \$400,000

Source: Comptroller's Office; Department of Legislative Services

State Revenues: State revenues decrease by an estimated \$4.8 billion in fiscal 2025, which reflects the effect of approximately one and one-half tax years. Future years reflect annualization and projected income growth. By fiscal 2029, general fund revenues decrease by an estimated \$3.8 billion.

Small Business Effect: Small business partnerships, S corporations, limited liability companies, and sole proprietorships likely realize decreased income tax liabilities under the bill.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 803 (Delegate Buckel, *et al.*) - Ways and Means.

Information Source(s): Comptroller's Office; Department of Legislative Services

Fiscal Note History: First Reader - February 14, 2024
js/hlb

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