

SENATE BILL 70

Q3

(PRE-FILED)

5lr0918
CF HB 151

By: **Senator Rosapepe**

Requested: September 23, 2024

Introduced and read first time: January 8, 2025

Assigned to: Budget and Taxation

A BILL ENTITLED

AN ACT concerning

County Income Tax – Rate and Income Brackets – Alterations

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

BY repealing and reenacting, with amendments,

Article – Tax – General

Section 10–106

Annotated Code of Maryland

(2022 Replacement Volume and 2024 Supplement)

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

Article – Tax – General

10–106.

(a) (1) Each county shall set, by ordinance or resolution, a county income tax equal to at least 2.25% but not more than [3.20%] **3.7%** of an individual's Maryland taxable income [for a taxable year beginning after December 31, 2001].

(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%

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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) **SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION**, 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] **MAY APPLY THE SAME INCOME TAX RATE TO MORE THAN ONE OF THE INCOME BRACKETS REQUIRED UNDER PARAGRAPH (3) OF THIS SUBSECTION;**

(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; **AND**

(V) MAY NOT SET MORE THAN EIGHT INCOME BRACKETS EACH

FOR:

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

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

(3) A COUNTY THAT IMPOSES THE COUNTY INCOME TAX ON A BRACKET BASIS SHALL SET THE INCOME BRACKET THRESHOLDS AS FOLLOWS:

(I) FOR AN INDIVIDUAL OTHER THAN AN INDIVIDUAL DESCRIBED IN ITEM (II) OF THIS PARAGRAPH:

1. \$1 THROUGH \$25,000 OF MARYLAND TAXABLE INCOME;

2. \$25,001 THROUGH \$50,000 OF MARYLAND TAXABLE INCOME;

3. \$50,001 THROUGH \$100,000 OF MARYLAND TAXABLE INCOME;

4. \$100,001 THROUGH \$250,000 OF MARYLAND TAXABLE INCOME;

5. \$250,001 THROUGH \$500,000 OF MARYLAND TAXABLE INCOME;

6. \$500,001 THROUGH \$750,000 OF MARYLAND TAXABLE INCOME;

7. \$750,001 THROUGH \$1,000,000 OF MARYLAND TAXABLE INCOME; AND

8. \$1,000,001 OR MORE OF MARYLAND TAXABLE INCOME; AND

(II) FOR SPOUSES FILING A JOINT RETURN OR FOR A SURVIVING SPOUSE OR HEAD OF HOUSEHOLD AS DEFINED IN § 2 OF THE INTERNAL REVENUE CODE:

1. \$1 THROUGH \$50,000 OF MARYLAND TAXABLE INCOME;

2. **\$50,001 THROUGH \$75,000 OF MARYLAND TAXABLE INCOME;**
3. **\$75,001 THROUGH \$150,000 OF MARYLAND TAXABLE INCOME;**
4. **\$150,001 THROUGH \$300,000 OF MARYLAND TAXABLE INCOME;**
5. **\$300,001 THROUGH \$600,000 OF MARYLAND TAXABLE INCOME;**
6. **\$600,001 THROUGH \$850,000 OF MARYLAND TAXABLE INCOME;**
7. **\$850,001 THROUGH \$1,250,000 OF MARYLAND TAXABLE INCOME; AND**
8. **\$1,250,001 OR MORE OF MARYLAND TAXABLE INCOME.**

(4) 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:

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

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

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

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2026, and shall be applicable to all taxable years beginning after December 31, 2026.

