

HB0452/679437/1

BY: Budget and Taxation Committee

AMENDMENTS TO HOUSE BILL 452
(Third Reading File Bill)

AMENDMENT NO. 1

On page 1, in line 2, before “Earned” insert “Income Tax - Rates, Personal Exemptions, Subtraction Modifications, and”; in line 3, strike “- Expansion”; in line 7, after “of” insert “altering certain State income tax rates for certain taxable years; altering the amount of certain exemptions allowed under the State income tax for certain taxable years;”; strike beginning with “allowing” in line 12 down through the first “credit;” in line 13 and substitute “allowing an individual to claim the credit without regard to a certain age limitation;”; in line 13, after “year;” insert “providing a subtraction modification under the Maryland income tax under certain circumstances for certain retirement income attributable to a resident’s employment as a law enforcement officer or the individual’s service as fire, rescue, or emergency services personnel; declaring the intent of the General Assembly;”; in line 14, after “Act;” insert “providing for a delayed effective date for certain provisions of this Act;”; in the same line, strike “Maryland”; in line 15, strike “earned income tax credit” and substitute “State individual income tax”; and in line 18, after “Section” insert “10-105(a), 10-209, 10-211(a)(1), and”.

AMENDMENT NO. 2

On page 2, after line 1, insert:

“BY repealing and reenacting, with amendments,

Article - Tax - General

Section 10-105(a)

Annotated Code of Maryland

(2010 Replacement Volume and 2015 Supplement)

(As enacted by Section 1 of this Act)

(Over)

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BY repealing and reenacting, with amendments,

Article - Tax - General

Section 10-105(a)

Annotated Code of Maryland

(2010 Replacement Volume and 2015 Supplement)

(As enacted by Section 3 of this Act)

BY repealing and reenacting, with amendments,

Article - Tax - General

Section 10-105(a)

Annotated Code of Maryland

(2010 Replacement Volume and 2015 Supplement)

(As enacted by Section 4 of this Act)

BY repealing and reenacting, with amendments,

Article - Tax - General

Section 10-105(a)

Annotated Code of Maryland

(2010 Replacement Volume and 2015 Supplement)

(As enacted by Section 5 of this Act)”;

after line 9, insert:

“10-105.

(a) (1) For A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2015, BUT BEFORE JANUARY 1, 2017, FOR an individual other than an individual described in paragraph (2) of this subsection, the State income tax rate is:

(i) 2% of Maryland taxable income of \$1 through \$1,000;

(ii) 3% of Maryland taxable income of \$1,001 through \$2,000;

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- (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;
- (iv) 4.75% of Maryland taxable income of \$3,001 through \$100,000;
- (v) [5%] 4.975% of Maryland taxable income of \$100,001 through \$125,000;
- (vi) [5.25%] 5.20% of Maryland taxable income of \$125,001 through \$150,000;
- (vii) [5.5%] 5.45% of Maryland taxable income of \$150,001 through \$250,000; and
- (viii) [5.75%] 5.725% of Maryland taxable income in excess of \$250,000.

(2) For A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2015, BUT BEFORE JANUARY 1, 2017, FOR spouses filing a joint return or for a surviving spouse or head of household as defined in § 2 of the Internal Revenue Code, the State income tax rate is:

- (i) 2% of Maryland taxable income of \$1 through \$1,000;
- (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;
- (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;
- (iv) 4.75% of Maryland taxable income of \$3,001 through \$150,000;

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(v) [5%] 4.975% of Maryland taxable income of \$150,001 through \$175,000;

(vi) [5.25%] 5.20% of Maryland taxable income of \$175,001 through \$225,000;

(vii) [5.5%] 5.45% of Maryland taxable income of \$225,001 through \$300,000; and

(viii) [5.75%] 5.725% of Maryland taxable income in excess of \$300,000.

10-211.

(a) Except as provided in subsection (b) of this section, whether or not a federal return is filed, to determine Maryland taxable income, an individual other than a fiduciary may deduct as an exemption:

(1) **(I) [\$3,200] FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2015, BUT BEFORE JANUARY 1, 2017, \$3,250** for each exemption that the individual may deduct in the taxable year to determine federal taxable income under § 151 of the Internal Revenue Code;

(II) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2016, BUT BEFORE JANUARY 1, 2018, \$3,300 FOR EACH EXEMPTION THAT THE INDIVIDUAL MAY DEDUCT IN THE TAXABLE YEAR TO DETERMINE FEDERAL TAXABLE INCOME UNDER § 151 OF THE INTERNAL REVENUE CODE;

(III) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2017, BUT BEFORE JANUARY 1, 2019, \$3,350 FOR EACH EXEMPTION THAT THE

INDIVIDUAL MAY DEDUCT IN THE TAXABLE YEAR TO DETERMINE FEDERAL TAXABLE INCOME UNDER § 151 OF THE INTERNAL REVENUE CODE; AND

(IV) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2018, \$3,400 FOR EACH EXEMPTION THAT THE INDIVIDUAL MAY DEDUCT IN THE TAXABLE YEAR TO DETERMINE FEDERAL TAXABLE INCOME UNDER § 151 OF THE INTERNAL REVENUE CODE;”;

and in line 16, strike “paragraph (2)” and substitute “PARAGRAPHS (2) AND (3)”.

AMENDMENT NO. 3

On page 3, in line 10, after “1.” insert:

“A. FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2015, BUT BEFORE JANUARY 1, 2017, IS EQUAL TO 75% OF THE EARNED INCOME CREDIT ALLOWABLE FOR THE TAXABLE YEAR UNDER § 32 OF THE INTERNAL REVENUE CODE; AND

B. FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2016.”;

and in line 23, strike “2017” and substitute “2016”.

AMENDMENT NO. 4

On page 4, strike beginning with “BY” in line 6 down through “CODE” in line 8 and substitute “WITHOUT REGARD TO THE MINIMUM AGE REQUIREMENT UNDER § 32(C)(1)(A)(II)(II) OF THE INTERNAL REVENUE CODE”.

AMENDMENT NO. 5

On page 5, after line 2, insert:

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“SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article – Tax – General

10–209.

(a) In this section:

(1) “employee retirement system” means a plan:

(i) established and maintained by an employer for the benefit of its employees; and

(ii) qualified under § 401(a), § 403, or § 457(b) of the Internal Revenue Code; and

(2) “employee retirement system” does not include:

(i) an individual retirement account or annuity under § 408 of the Internal Revenue Code;

(ii) a Roth individual retirement account under § 408A of the Internal Revenue Code;

(iii) a rollover individual retirement account;

(iv) a simplified employee pension under Internal Revenue Code § 408(k); or

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(v) an ineligible deferred compensation plan under § 457(f) of the Internal Revenue Code.

(b) Subject to [subsection (d)] **SUBSECTIONS (D) AND (E)** of this section, to determine Maryland adjusted gross income, if, on the last day of the taxable year, a resident is at least 65 years old or is totally disabled or the resident's spouse is totally disabled, **OR THE RESIDENT IS AT LEAST 55 YEARS OLD AND IS A RETIRED LAW ENFORCEMENT OFFICER OR FIRE, RESCUE, OR EMERGENCY SERVICES PERSONNEL OF THE UNITED STATES, THE STATE, OR A POLITICAL SUBDIVISION OF THE STATE**, an amount is subtracted from federal adjusted gross income equal to the lesser of:

(1) the cumulative or total annuity, pension, or endowment income from an employee retirement system included in federal adjusted gross income; or

(2) the maximum annual benefit under the Social Security Act computed under subsection (c) of this section, less any payment received as old age, survivors, or disability benefits under the Social Security Act, the Railroad Retirement Act, or both.

(c) For purposes of subsection (b)(2) of this section, the Comptroller:

(1) shall determine the maximum annual benefit under the Social Security Act allowed for an individual who retired at age 65 for the prior calendar year; and

(2) may allow the subtraction to the nearest \$100.

(d) Military retirement income that is included in the subtraction under § 10-207(q) of this subtitle may not be taken into account for purposes of the subtraction under this section.

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(E) IN THE CASE OF A RETIRED LAW ENFORCEMENT OFFICER OR FIRE, RESCUE, OR EMERGENCY SERVICES PERSONNEL OF THE UNITED STATES, THE STATE, OR A POLITICAL SUBDIVISION OF THE STATE, THE AMOUNT INCLUDED UNDER SUBSECTION (B)(1) OF THIS SECTION IS LIMITED TO THE FIRST \$15,000 OF RETIREMENT INCOME THAT IS ATTRIBUTABLE TO THE RESIDENT'S EMPLOYMENT AS A LAW ENFORCEMENT OFFICER OR FIRE, RESCUE, OR EMERGENCY SERVICES PERSONNEL OF THE UNITED STATES, THE STATE, OR A POLITICAL SUBDIVISION OF THE STATE UNLESS:

(1) THE RESIDENT IS AT LEAST 65 YEARS OLD OR IS TOTALLY DISABLED; OR

(2) THE RESIDENT'S SPOUSE IS TOTALLY DISABLED.

SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article – Tax – General

10–105.

(a) (1) For a taxable year beginning after December 31, [2015] 2016, but before January 1, [2017] 2018, for an individual other than an individual described in paragraph (2) of this subsection, the State income tax rate is:

- (i) 2% of Maryland taxable income of \$1 through \$1,000;
- (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;
- (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;

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(iv) 4.75% of Maryland taxable income of \$3,001 through \$100,000;

(v) [4.975%] 4.95% of Maryland taxable income of \$100,001 through \$125,000;

(vi) [5.20%] 5.15% of Maryland taxable income of \$125,001 through \$150,000;

(vii) [5.45%] 5.40% of Maryland taxable income of \$150,001 through \$250,000; and

(viii) [5.725%] 5.70% of Maryland taxable income in excess of \$250,000.

(2) For a taxable year beginning after December 31, [2015] 2016, but before January 1, [2017] 2018, for spouses filing a joint return or for a surviving spouse or head of household as defined in § 2 of the Internal Revenue Code, the State income tax rate is:

(i) 2% of Maryland taxable income of \$1 through \$1,000;

(ii) 3% of Maryland taxable income of \$1,001 through \$2,000;

(iii) 4% of Maryland taxable income of \$2,001 through \$3,000;

(iv) 4.75% of Maryland taxable income of \$3,001 through \$150,000;

(v) [4.975%] 4.95% of Maryland taxable income of \$150,001 through \$175,000;

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(vi) [5.20%] 5.15% of Maryland taxable income of \$175,001 through \$225,000;

(vii) [5.45%] 5.40% of Maryland taxable income of \$225,001 through \$300,000; and

(viii) [5.725%] 5.70% of Maryland taxable income in excess of \$300,000.

SECTION 4. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article – Tax – General

10–105.

(a) (1) For a taxable year beginning after December 31, [2016] 2017, but before January 1, [2018] 2019, for an individual other than an individual described in paragraph (2) of this subsection, the State income tax rate is:

(i) 2% of Maryland taxable income of \$1 through \$1,000;

(ii) 3% of Maryland taxable income of \$1,001 through \$2,000;

(iii) 4% of Maryland taxable income of \$2,001 through \$3,000;

(iv) 4.75% of Maryland taxable income of \$3,001 through \$100,000;

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(v) [4.95%] 4.925% of Maryland taxable income of \$100,001 through \$125,000;

(vi) [5.15%] 5.10% of Maryland taxable income of \$125,001 through \$150,000;

(vii) [5.40%] 5.35% of Maryland taxable income of \$150,001 through \$250,000; and

(viii) [5.70%] 5.675% of Maryland taxable income in excess of \$250,000.

(2) For a taxable year beginning after December 31, [2016] 2017, but before January 1, [2018] 2019, for spouses filing a joint return or for a surviving spouse or head of household as defined in § 2 of the Internal Revenue Code, the State income tax rate is:

(i) 2% of Maryland taxable income of \$1 through \$1,000;

(ii) 3% of Maryland taxable income of \$1,001 through \$2,000;

(iii) 4% of Maryland taxable income of \$2,001 through \$3,000;

(iv) 4.75% of Maryland taxable income of \$3,001 through \$150,000;

(v) [4.95%] 4.925% of Maryland taxable income of \$150,001 through \$175,000;

(vi) [5.15%] 5.10% of Maryland taxable income of \$175,001 through \$225,000;

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(vii) [5.40%] 5.35% of Maryland taxable income of \$225,001 through \$300,000; and

(viii) [5.70%] 5.675% of Maryland taxable income in excess of \$300,000.

SECTION 5. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article – Tax – General

10–105.

(a) (1) For a taxable year beginning after December 31, [2017] 2018, but before January 1, [2019] 2020, for an individual other than an individual described in paragraph (2) of this subsection, the State income tax rate is:

(i) 2% of Maryland taxable income of \$1 through \$1,000;

(ii) 3% of Maryland taxable income of \$1,001 through \$2,000;

(iii) 4% of Maryland taxable income of \$2,001 through \$3,000;

(iv) 4.75% of Maryland taxable income of \$3,001 through \$100,000;

(v) [4.925%] 4.90% of Maryland taxable income of \$100,001 through \$125,000;

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(vi) [5.10%] 5.05% of Maryland taxable income of \$125,001 through \$150,000;

(vii) [5.35%] 5.30% of Maryland taxable income of \$150,001 through \$250,000; and

(viii) [5.675%] 5.65% of Maryland taxable income in excess of \$250,000.

(2) For a taxable year beginning after December 31, [2017] 2018, but before January 1, [2019] 2020, for spouses filing a joint return or for a surviving spouse or head of household as defined in § 2 of the Internal Revenue Code, the State income tax rate is:

(i) 2% of Maryland taxable income of \$1 through \$1,000;

(ii) 3% of Maryland taxable income of \$1,001 through \$2,000;

(iii) 4% of Maryland taxable income of \$2,001 through \$3,000;

(iv) 4.75% of Maryland taxable income of \$3,001 through \$150,000;

(v) [4.925%] 4.90% of Maryland taxable income of \$150,001 through \$175,000;

(vi) [5.10%] 5.05% of Maryland taxable income of \$175,001 through \$225,000;

(vii) [5.35%] 5.30% of Maryland taxable income of \$225,001 through \$300,000; and

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(viii) [5.675%] 5.65% of Maryland taxable income in excess of \$300,000.

SECTION 6. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article – Tax – General

10–105.

(a) (1) [For a taxable year beginning after December 31, 2018, but before January 1, 2020, for] FOR an individual other than an individual described in paragraph (2) of this subsection, the State income tax rate is:

- (i) 2% of Maryland taxable income of \$1 through \$1,000;
- (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;
- (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;
- (iv) 4.75% of Maryland taxable income of \$3,001 through \$100,000;
- (v) [4.90%] 4.875% of Maryland taxable income of \$100,001 through \$125,000;
- (vi) [5.05%] 5.00% of Maryland taxable income of \$125,001 through \$150,000;

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(vii) [5.30%] 5.25% of Maryland taxable income of \$150,001 through \$250,000; and

(viii) [5.65%] 5.60% of Maryland taxable income in excess of \$250,000.

(2) [For a taxable year beginning after December 31, 2018, but before January 1, 2020, for] FOR spouses filing a joint return or for a surviving spouse or head of household as defined in § 2 of the Internal Revenue Code, the State income tax rate is:

(i) 2% of Maryland taxable income of \$1 through \$1,000;

(ii) 3% of Maryland taxable income of \$1,001 through \$2,000;

(iii) 4% of Maryland taxable income of \$2,001 through \$3,000;

(iv) 4.75% of Maryland taxable income of \$3,001 through \$150,000;

(v) [4.90%] 4.875% of Maryland taxable income of \$150,001 through \$175,000;

(vi) [5.05%] 5.00% of Maryland taxable income of \$175,001 through \$225,000;

(vii) [5.30%] 5.25% of Maryland taxable income of \$225,001 through \$300,000; and

(viii) [5.65%] 5.60% of Maryland taxable income in excess of \$300,000.

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SECTION 7. AND BE IT FURTHER ENACTED, That it is the intent of the General Assembly that if the revised estimate of total General Fund revenues for the fiscal year in which the budget bill is being prepared, as reflected in the report of estimated State revenues submitted by the Board of Revenue Estimates to the Governor under § 6–106(b) of the State Finance and Procurement Article in December of that fiscal year, exceeds the estimate for the prior December by less than 2%, the income tax rates in effect for the next taxable year shall remain unchanged from the previous taxable year.

SECTION 8. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall be applicable to all taxable years beginning after December 31, 2015.

SECTION 9. AND BE IT FURTHER ENACTED, That Section 3 of this Act shall take effect July 1, 2017.

SECTION 10. AND BE IT FURTHER ENACTED, That Section 4 of this Act shall take effect July 1, 2018.

SECTION 11. AND BE IT FURTHER ENACTED, That Section 5 of this Act shall take effect July 1, 2019.

SECTION 12. AND BE IT FURTHER ENACTED, That Section 6 of this Act shall take effect July 1, 2020, and shall be applicable to all taxable years beginning after December 31, 2019.”;

in line 3, strike “2.” and substitute “13.”; and strike beginning with “this” in line 3 down through “2016” in line 4 and substitute “, except as provided in Sections 9, 10, 11, and 12 of this Act, this Act shall take effect July 1, 2016”.