

HOUSE BILL 1123

Q3
HB 328/14 – W&M

5lr2796
CF 5lr2830

By: **Delegate Afzali**

Introduced and read first time: February 18, 2015

Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Flat Tax**

3 FOR the purpose of altering the State and county income tax rates on certain income of
4 individuals; providing for the application of this Act; and generally relating to the
5 State and county income tax rates on income of individuals.

6 BY repealing and reenacting, with amendments,
7 Article – Tax – General
8 Section 10–105
9 Annotated Code of Maryland
10 (2010 Replacement Volume and 2014 Supplement)

11 BY repealing
12 Article – Tax – General
13 Section 10–106
14 Annotated Code of Maryland
15 (2010 Replacement Volume and 2014 Supplement)

16 BY adding to
17 Article – Tax – General
18 Section 10–106
19 Annotated Code of Maryland
20 (2010 Replacement Volume and 2014 Supplement)

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

23 **Article – Tax – General**

24 10–105.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 [(a) (1) For an individual other than an individual described in paragraph (2)
2 of this subsection, the State income tax rate is:

- 3 (i) 2% of Maryland taxable income of \$1 through \$1,000;
4 (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;
5 (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;
6 (iv) 4.75% of Maryland taxable income of \$3,001 through \$100,000;
7 (v) 5% of Maryland taxable income of \$100,001 through \$125,000;
8 (vi) 5.25% of Maryland taxable income of \$125,001 through \$150,000;
9 (vii) 5.5% of Maryland taxable income of \$150,001 through \$250,000;
10 and
11 (viii) 5.75% of Maryland taxable income in excess of \$250,000.

12 (2) For spouses filing a joint return or for a surviving spouse or head of
13 household as defined in § 2 of the Internal Revenue Code, the State income tax rate is:

- 14 (i) 2% of Maryland taxable income of \$1 through \$1,000;
15 (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;
16 (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;
17 (iv) 4.75% of Maryland taxable income of \$3,001 through \$150,000;
18 (v) 5% of Maryland taxable income of \$150,001 through \$175,000;
19 (vi) 5.25% of Maryland taxable income of \$175,001 through \$225,000;
20 (vii) 5.5% of Maryland taxable income of \$225,001 through \$300,000;
21 and
22 (viii) 5.75% of Maryland taxable income in excess of \$300,000.]

23 **(A) FOR AN INDIVIDUAL WITH MARYLAND TAXABLE INCOME IN EXCESS OF**
24 **\$30,000, INCLUDING SPOUSES FILING A JOINT RETURN OR A SURVIVING SPOUSE OR**
25 **HEAD OF HOUSEHOLD AS DEFINED IN § 2 OF THE INTERNAL REVENUE CODE, THE**
26 **STATE INCOME TAX RATE IS 3.5% OF MARYLAND TAXABLE INCOME.**

1 (b) The State income tax rate for a corporation is 8.25% of Maryland taxable
2 income.

3 (c) For a married couple filing a joint income tax return, the [rates] **RATE**
4 specified in subsection (a) of this section [apply] **APPLIES** to the joint Maryland taxable
5 income of the married couple.

6 (d) For a nonresident:

7 (1) the [rates] **RATE** specified in subsection (a) of this section [apply]
8 **APPLIES** to the nonresident's Maryland taxable income, calculated without regard to the
9 subtractions under § 10–210(b), (e), and (f) of this title; and

10 (2) the State income tax imposed equals the result obtained under item (1)
11 of this subsection multiplied times a fraction:

12 (i) the numerator of which is the nonresident's Maryland taxable
13 income, calculated with the subtractions under § 10–210(b), (e), and (f) of this title; and

14 (ii) the denominator of which is the nonresident's Maryland taxable
15 income, calculated without regard to the subtractions under § 10–210(b), (e), and (f) of this
16 title.

17 [10–106.

18 (a) (1) Each county shall set, by ordinance or resolution, a county income tax
19 equal to at least 1% but not more than the percentage of an individual's Maryland taxable
20 income as follows:

21 (i) 3.05% for a taxable year beginning after December 31, 1998 but
22 before January 1, 2001;

23 (ii) 3.10% for a taxable year beginning after December 31, 2000 but
24 before January 1, 2002; and

25 (iii) 3.20% for a taxable year beginning after December 31, 2001.

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

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

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

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1 1. notice of the public hearing; and

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

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

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

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

10 (2) give the Comptroller notice of the rate change and the effective date of
11 the rate change on or before July 1 prior to its effective date.]

12 **10-106.**

13 **THE COUNTY INCOME TAX RATE IS 2.3%.**

14 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
15 1, 2015, and shall be applicable to all taxable years beginning after December 31, 2015.