

SB0840/239538/1

BY: Budget and Taxation Committee

AMENDMENTS TO SENATE BILL 840
(First Reading File Bill)

AMENDMENT NO. 1

On page 1, in line 2, before “Earned” insert “Rates, Personal Exemptions, and”; in the same line, strike “- Refundability”; strike beginning with “altering” in line 3 down through “circumstances;” in line 5 and substitute “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; altering the calculation of the Maryland earned income tax credit to increase the amount of credit that certain individuals without qualifying children may claim; expanding eligibility of the credit to allow certain individuals without certain qualifying children to claim the credit; allowing certain individuals to claim a refund of the credit; allowing an individual to claim the credit without regard to a certain age limitation; providing that the amount of the credit is adjusted for inflation each year; declaring the intent of the General Assembly; providing for the application of this Act; providing for a delayed effective date for certain provisions of this Act;”; in line 6, strike “earned income credit allowed under the State income tax” and substitute “State individual income tax”; strike in their entirety lines 7 through 16, inclusive, and substitute:

“BY repealing and reenacting, with amendments,

Article - Tax - General

Section 10-105(a), 10-211(a)(1), and 10-704

Annotated Code of Maryland

(2010 Replacement Volume and 2015 Supplement)

BY repealing and reenacting, with amendments,

Article - Tax - General

Section 10-105(a)

Annotated Code of Maryland

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(2010 Replacement Volume and 2015 Supplement)
(As enacted by Section 1 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 2 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 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)”;

and after line 19, 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:

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- (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) [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;

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

(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;”.

AMENDMENT NO. 2

On page 2, in line 4, strike “paragraph (2)” and substitute “PARAGRAPHS (2) AND (3)”; in line 20, strike “AND”; in line 21, strike the opening bracket; in the same line, strike “] 28%”; in line 22, strike the opening bracket; in line 26, strike the closing bracket; after line 26, insert:

“(3) (I) THE CREDIT ALLOWED AGAINST THE STATE INCOME TAX UNDER SUBSECTION (A)(1) OF THIS SECTION FOR AN INDIVIDUAL WITHOUT A QUALIFYING CHILD:

1. 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, IS EQUAL TO 100% OF THE EARNED INCOME CREDIT ALLOWABLE FOR THE TAXABLE YEAR UNDER § 32 OF THE INTERNAL REVENUE CODE; AND

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2. IS CALCULATED BY SUBSTITUTING:

A. \$6,610 FOR THE EARNED INCOME AMOUNT IN § 32(B)(2)(A) OF THE INTERNAL REVENUE CODE; AND

B. \$16,900 FOR THE PHASE-OUT AMOUNT IN § 32(B)(2)(A) OF THE INTERNAL REVENUE CODE.

(II) IF THE TAX CREDIT ALLOWED UNDER THIS PARAGRAPH IN ANY TAXABLE YEAR EXCEEDS THE TOTAL TAX OTHERWISE PAYABLE BY THE INDIVIDUAL WITHOUT A QUALIFYING CHILD FOR THAT TAXABLE YEAR, THE INDIVIDUAL MAY CLAIM A REFUND IN THE AMOUNT OF THE EXCESS.

(III) 1. FOR EACH TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2016, THE EARNED INCOME AMOUNT AND PHASE-OUT AMOUNT IN SUBPARAGRAPH (I)2 OF THIS PARAGRAPH SHALL BE INCREASED BY AN AMOUNT EQUAL TO THE PRODUCT OF MULTIPLYING EACH AMOUNT BY THE COST-OF-LIVING ADJUSTMENT SPECIFIED IN SUBSUBPARAGRAPH 2 OF THIS SUBPARAGRAPH.

2. FOR PURPOSES OF THIS SUBPARAGRAPH, THE COST-OF-LIVING ADJUSTMENT IS THE COST-OF-LIVING ADJUSTMENT WITHIN THE MEANING OF § 1(F)(3) OF THE INTERNAL REVENUE CODE FOR THE CALENDAR YEAR IN WHICH A TAXABLE YEAR BEGINS, AS DETERMINED BY THE COMPTROLLER BY SUBSTITUTING “CALENDAR YEAR 2015” FOR “CALENDAR YEAR 1992” IN § 1(F)(3)(B) OF THE INTERNAL REVENUE CODE.

3. IF ANY INCREASE DETERMINED UNDER SUBSUBPARAGRAPH 1 OF THIS SUBPARAGRAPH IS NOT A MULTIPLE OF \$50, THE INCREASE SHALL BE ROUNDED DOWN TO THE NEXT LOWEST MULTIPLE OF \$50.

(IV) FOR PURPOSES OF THIS SECTION FOR AN INDIVIDUAL WITHOUT A QUALIFYING CHILD, THE CREDIT ALLOWABLE FOR A TAXABLE YEAR UNDER § 32 OF THE INTERNAL REVENUE CODE IS CALCULATED WITHOUT REGARD TO THE MINIMUM AGE REQUIREMENT UNDER § 32(C)(1)(A)(II)(II) OF THE INTERNAL REVENUE CODE.

(c) (1) Except as provided in paragraph (2) of this subsection and subject to subsection (d) of this section, the credit allowed against the county income tax under subsection (a)(2) of this section is the lesser of:

(i) the earned income credit allowable for the taxable year under § 32 of the Internal Revenue Code multiplied by 10 times the county income tax rate for the taxable year; or

(ii) the county income tax for the taxable year.

(2) (i) A county may provide, by law, for a refundable county earned income credit as provided in this paragraph.

(ii) If a county provides for a refundable county earned income credit under this paragraph, on or before July 1 prior to the beginning of the first taxable year for which it is applicable, the county shall give the Comptroller notice of the refundable county earned income credit.

(iii) If a county provides for a refundable county earned income credit under this paragraph, a resident may claim a refund of the amount, if any, by which the product of multiplying the credit allowable for the taxable year under § 32 of

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the Internal Revenue Code by 5 times the county income tax rate for the taxable year exceeds the county income tax for the taxable year.

(iv) The amount of any refunds payable under a refundable county earned income credit operates to reduce the income tax revenue from individuals attributable to the county income tax for that county.

(d) For an individual who is a resident of the State for only a part of the year, the amount of the credit or refund allowed under this section shall be determined based on the part of the earned income credit allowable for the taxable year under § 32 of the Internal Revenue Code that is attributable to Maryland, determined by multiplying the federal earned income credit by a fraction:

(1) the numerator of which is the Maryland adjusted gross income of the individual; and

(2) the denominator of which is the federal adjusted gross income of the individual.

SECTION 2. 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;

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- (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) [4.975%] **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;

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- (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;
- (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 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, [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;

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

(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;

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(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;

(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 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, [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;

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

(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;

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(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

(viii) [5.675%] 5.65% 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, 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;

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(vi) [5.05%] 5.00% of Maryland taxable income of \$125,001 through \$150,000;

(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;

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(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.

SECTION 6. 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 7. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall take effect July 1, 2017.

SECTION 8. AND BE IT FURTHER ENACTED, That Section 3 of this Act shall take effect July 1, 2018.

SECTION 9. AND BE IT FURTHER ENACTED, That Section 4 of this Act shall take effect July 1, 2019.

SECTION 10. AND BE IT FURTHER ENACTED, That Section 5 of this Act shall take effect July 1, 2020, and shall be applicable to all taxable years beginning after December 31, 2019.”;

in line 27, strike “2.” and substitute “11.”; and in the same line, after “That” insert “, except as provided in Sections 7, 8, 9, and 10 of this Act.”.