

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 977 (Senator Serafini)
 Budget and Taxation

Income Tax Rates - Reduction

This bill reduces State income taxes by decreasing the top marginal tax rate to 5.25%. **The bill takes effect July 1, 2019, and applies to tax year 2019 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease by \$296.8 million in FY 2020 due to the income tax rates specified by the bill, reflecting the impact of one and one-half tax years. Future year estimates reflect annualization and the current income tax revenue forecast. General fund expenditures may increase minimally in FY 2020 due to implementation costs at the Comptroller’s Office.

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
GF Revenue	(\$296.8)	(\$212.1)	(\$227.6)	(\$245.8)	(\$264.5)
GF Expenditure	-	\$0	\$0	\$0	\$0
Net Effect	(\$296.8)	(\$212.1)	(\$227.6)	(\$245.8)	(\$264.5)

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

Local Effect: None.

Small Business Effect: Small businesses such as partnerships, S corporations, limited liability companies, and sole proprietorships that are impacted by the bill will realize decreased income tax liabilities.

Analysis

Current Law/Bill Summary:

State Income Tax Rates

Exhibit 1 shows the State income tax rates under current law. **Exhibit 2** shows the State income tax rates proposed by the bill beginning in tax year 2019.

Exhibit 1 Maryland State Income Tax Rates Current Law

Single, Dependent Filer, Married Filing Separate		Joint, Head of Household, Widower	
<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

Exhibit 2
Maryland State Income Tax Rates
Proposed

Single, Dependent Filer, Married Filing Separate		Joint, Head of Household, Widower	
<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%	Excess of \$125,000	5.25%	Excess of \$175,000

State Revenues: The bill reduces specified State income tax rates beginning with tax year 2019. As a result, general fund revenues will decrease by \$296.8 million in fiscal 2020, which reflects the impact of about one and one-half tax years. **Exhibit 3** shows the projected State revenue loss resulting from the bill.

Exhibit 3
Projected State Revenue Impact
(\$ in Millions)

<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
(\$296.8)	(\$212.1)	(\$227.6)	(\$245.8)	(\$264.5)

Additional Information

Prior Introductions: None.

Cross File: None.

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

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sb/hlb

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