

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 916 (Delegate Feldmark, *et al.*)
 Ways and Means

Income Tax - Individuals Not Subject to the County Income Tax - Rate

This bill alters the special nonresident tax by specifying that the tax rate imposed is equal to 3.0%. **The bill takes effect July 1, 2020, and applies to tax year 2020 and beyond.**

Fiscal Summary

State Effect: General fund revenues increase by \$56.9 million annually beginning in FY 2021 due to additional nonresident tax revenues. Expenditures are not affected.

(\$ in millions)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Revenue	\$56.9	\$56.9	\$56.9	\$56.9	\$56.9
Expenditure	0	0	0	0	0
Net Effect	\$56.9	\$56.9	\$56.9	\$56.9	\$56.9

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

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Current Law/Background: The Budget Reconciliation and Financing Act of 2004 (Chapter 430) established a tax on nonresidents who are subject to the State income tax but are not subject to the county income tax. The tax imposed is at a rate equal to the lowest county income tax rate in Maryland (currently equal to 2.25%).

In tax year 2020, the unweighted average tax rate imposed by counties is equal to about 3.0% and ranges from a low of 2.25% to a high of 3.2%.

Revenues generated by the tax are distributed to the State's general fund; about 170,000 nonresident returns paid a total of \$133.3 million in tax year 2018.

State Revenues: The bill alters the special nonresident tax beginning in tax year 2020. As a result, general fund revenues increase by \$56.9 million annually beginning in fiscal 2021 due to additional nonresident tax revenues.

This estimate is based on the special nonresident tax paid in tax year 2018, adjusted for subsequent increases in county income tax rates.

Small Business Impact: Nonresident returns that report small business income sourced to Maryland will be impacted by higher tax liabilities.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

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mr/hlb

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