

Department of Legislative Services  
 Maryland General Assembly  
 2021 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 435  
 Ways and Means

(Delegate Smith)

State Individual Income Tax – Millionaires’ Tax

This bill alters the personal income tax by imposing an income tax rate of 7.0% on net taxable income in excess of \$1 million. **The bill takes effect July 1, 2022, and applies to tax year 2022 and beyond.**

Fiscal Summary

**State Effect:** General fund revenues increase by \$140.0 million in FY 2022 due to the income tax rate specified by the bill. Future year estimates reflect annualization and the current income tax revenue forecast. General fund expenditures may increase minimally in FY 2023 due to one-time implementation costs at the Comptroller’s Office.

(\$ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GF Revenue	\$140.0	\$205.8	\$214.3	\$223.2	\$232.4
GF Expenditure	\$0	-	\$0	\$0	\$0
Net Effect	\$140.0	\$205.8	\$214.3	\$223.2	\$232.4

*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:** Exhibit 1 shows the State income tax rates under current law.

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### Exhibit 1 Maryland State Income Tax Rates Current Law

<b>Single, Dependent Filer, Married Filing Separate</b>		<b>Joint, Head of Household, Widower</b>	
<b><u>Rate</u></b>	<b><u>Maryland Taxable Income</u></b>	<b><u>Rate</u></b>	<b><u>Maryland Taxable Income</u></b>
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

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**State Revenues:** The new State income tax rate of 7% takes effect beginning in tax year 2022. As a result, general fund revenues will increase by \$140.0 million in fiscal 2022. Exhibit 2 shows the estimated impact of the bill on State revenues.

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### Exhibit 2 State Revenue Impacts (\$ in Millions)

	<b><u>FY 2022</u></b>	<b><u>FY 2023</u></b>	<b><u>FY 2024</u></b>	<b><u>FY 2025</u></b>	<b><u>FY 2026</u></b>
State Revenues	\$140.0	\$205.8	\$214.3	\$223.2	\$232.4

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**State Expenditures:** General fund expenditures for the Comptroller's Office may increase minimally in fiscal 2023 as a result of issuing new employer withholding tables and altering the personal income tax forms.

**Small Business Impact:** Small businesses such as partnerships, S corporations, limited liability companies, and sole proprietorships with net taxable income in excess of \$1.0 million will be impacted through increased income tax liabilities.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

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

**Fiscal Note History:** First Reader - February 2, 2021  
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