

HOUSE BILL 1346

Q3

2lr3014

By: **Delegates Hixson and Mizeur**

Introduced and read first time: February 16, 2012

Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Graduated Income Tax Reform**

3 FOR the purpose of altering the rates and rate brackets under the State income tax on
4 individuals; altering certain provisions relating to calculation of amounts of
5 income tax required to be withheld on wages and required to be withheld from
6 certain other payments; altering the determination of the amount of the
7 standard deduction allowed for an individual under the Maryland income tax;
8 requiring the Comptroller to waive certain interest and penalties for a certain
9 calendar year under certain circumstances and to a certain extent; repealing
10 certain obsolete provisions; providing for the application of this Act; and
11 generally relating to altering State income tax rates and rate brackets and the
12 standard deduction allowed for an individual under the Maryland income tax.

13 BY repealing and reenacting, without amendments,
14 Article – Tax – General
15 Section 2–106(c)(3) and (d)(3) and 10–105(c)
16 Annotated Code of Maryland
17 (2010 Replacement Volume and 2011 Supplement)

18 BY repealing and reenacting, with amendments,
19 Article – Tax – General
20 Section 2–106(f), 10–105(a), 10–217, and 10–908(e) and (f)
21 Annotated Code of Maryland
22 (2010 Replacement Volume and 2011 Supplement)

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

25 **Article – Tax – General**

26 2–106.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (c) (3) The total amounts required under the tables to be withheld during
2 a taxable year shall approximate the total income tax due on the wages for the year,
3 determined as provided in subsection (f) of this section.

4 (d) (3) The total percentages required under the schedules to be withheld
5 during a taxable year shall approximate the income tax due on the wages for the year,
6 determined as provided in subsection (f) of this section.

7 (f) The total income tax required to be withheld on wages for purposes of the
8 withholding tables and withholding schedules under this section shall be calculated
9 without regard to the marginal State income tax rates less than [4.75%] **5.5%** set
10 forth under [§ 10–105(a)(1)(i) through (iii) and (2)(i) through (iii)] **§ 10–105(A)(1)**
11 **THROUGH (4)** of this article.

12 10–105.

13 (a) [(1) Except as provided in paragraph (3) of this subsection, for an
14 individual other than an individual described in paragraph (2) of this subsection, the]
15 **THE** State income tax rate is:

16 [(i)] **(1)** 2% of Maryland taxable income of \$1 through [\$1,000]
17 **\$5,000**;

18 [(ii)] **(2)** 3% of Maryland taxable income of [\$1,001] **\$5,001** through
19 [\$2,000] **\$10,000**;

20 [(iii)] **(3)** 4% of Maryland taxable income of [\$2,001] **\$10,001** through
21 [\$3,000] **\$20,000**;

22 [(iv)] **(4)** [4.75%] **5%** of Maryland taxable income of [\$3,001] **\$20,001**
23 through [\$150,000] **\$30,000**;

24 [(v)] **(5)** [5%] **5.5%** of Maryland taxable income of [\$150,001]
25 **\$30,001** through [\$300,000] **\$100,000**;

26 **(6)** **6% OF MARYLAND TAXABLE INCOME OF \$100,001 THROUGH**
27 **\$300,000**;

28 [(vi)] **(7)** [5.25%] **6.5%** of Maryland taxable income of \$300,001
29 through \$500,000;

30 **(8)** **7% OF MARYLAND TAXABLE INCOME OF \$500,001 THROUGH**
31 **\$1,000,000**; and

1 [(vii)] **(9)** ~~[5.5%]~~ **7.5%** of Maryland taxable income in excess of
 2 ~~[\$500,000]~~ **\$1,000,000**.

3 [(2) Except as provided in paragraph (3) of this subsection, for spouses
 4 filing a joint return or for a surviving spouse or head of household as defined in § 2 of
 5 the Internal Revenue Code, the State income tax rate is:

6 (i) 2% of Maryland taxable income of \$1 through \$1,000;

7 (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;

8 (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;

9 (iv) 4.75% of Maryland taxable income of \$3,001 through
 10 \$200,000;

11 (v) 5% of Maryland taxable income of \$200,001 through
 12 \$350,000;

13 (vi) 5.25% of Maryland taxable income of \$350,001 through
 14 \$500,000; and

15 (vii) 5.5% of Maryland taxable income in excess of \$500,000.

16 (3) For a taxable year beginning after December 31, 2007, but before
 17 January 1, 2011, the State income tax for an individual, including spouses filing a
 18 joint return or a surviving spouse or head of household as defined in § 2 of the Internal
 19 Revenue Code, is:

20 (i) for Maryland taxable income up to \$500,000, the rate
 21 specified in paragraph (1)(i) through (vi) or (2)(i) through (vi) of this subsection; and

22 (ii) for Maryland taxable income in excess of \$500,000:

23 1. 5.5% of Maryland taxable income of \$500,001 through
 24 \$1,000,000; and

25 2. 6.25% of Maryland taxable income in excess of
 26 \$1,000,000.]

27 (c) For a husband and wife filing a joint income tax return, the rates
 28 specified in subsection (a) of this section apply to the joint Maryland taxable income of
 29 the husband and wife.

30 10-217.

1 (a) (1) (i) Except as otherwise provided in this subsection, an
2 individual may elect to use the standard deduction to compute Maryland taxable
3 income whether or not the individual itemizes deductions on the individual's federal
4 income tax return in determining federal taxable income.

5 (ii) If an individual elects to use the standard deduction on the
6 federal income tax return, the individual may not take any itemized deduction in §
7 10–218 of this subtitle.

8 (2) A fiduciary may not use the standard deduction.

9 (b) Subject to the limitation in subsection (c) of this section, the standard
10 deduction for an individual is an amount equal to 15% of the individual's Maryland
11 adjusted gross income.

12 (c) (1) For an individual other than one described in paragraphs (2) and
13 (3) of this subsection, the standard deduction:

14 (i) may not be less than \$1,500; and

15 (ii) may not exceed [~~\$2,000~~] **\$3,000**.

16 (2) For an individual described in § 2 of the Internal Revenue Code as
17 a head of household or as a surviving spouse, the standard deduction:

18 (i) may not be less than \$3,000; and

19 (ii) may not exceed [~~\$4,000~~] **\$6,000**.

20 (3) For spouses on a joint return, the standard deduction:

21 (i) may not be less than \$3,000; and

22 (ii) may not exceed [~~\$4,000~~] **\$6,000**.

23 10–908.

24 (e) The Board of Trustees of the State Retirement and Pension System shall
25 withhold from a payment of a death benefit to a resident payee the sum of:

26 (1) [~~4.75%~~] **5.5%** of the payment; and

27 (2) the county income tax rate applied to the payment.

28 (f) If a payment to a resident payee is a designated distribution that is an
29 eligible rollover distribution within the meaning of § 3405(c) of the Internal Revenue
30 Code and the payment is subject to mandatory withholding of federal income tax, the

1 payor shall withhold from the payment an amount equal to [7.75%] **8.5%** of the
2 payment.

3 SECTION 2. AND BE IT FURTHER ENACTED, That the Comptroller shall
4 waive any interest or penalty imposed on an individual relating to payment of
5 estimated income tax for calendar year 2012 if and to the extent that the Comptroller
6 determines that the interest or penalty would not have been incurred but for an
7 increase in the income tax rates for calendar year 2012 under Section 1 of this Act.

8 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
9 July 1, 2012, and shall be applicable to all taxable years beginning after December 31,
10 2011.