

SENATE BILL 341

Q3
SB 155/01 – B&T

6lr1963

By: **Senators Ready, Bates, Eckardt, Salling, and Serafini**
Introduced and read first time: January 28, 2016
Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Limitation Based on Federal Income Tax Liability**

3 FOR the purpose of limiting the State income tax liability imposed on certain individuals
4 by providing a limitation based on the individual's federal income tax liability;
5 defining a certain term; providing for the application of this Act; and generally
6 relating to a certain limitation on the State income tax imposed on certain
7 individuals.

8 BY repealing and reenacting, with amendments,
9 Article – Tax – General
10 Section 10–105(a)
11 Annotated Code of Maryland
12 (2010 Replacement Volume and 2015 Supplement)

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

15 **Article – Tax – General**

16 10–105.

17 (a) (1) **[For] EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS**
18 **SUBSECTION, FOR** an individual other than an individual described in paragraph (2) of
19 this subsection, the State income tax rate is:

- 20 (i) 2% of Maryland taxable income of \$1 through \$1,000;
- 21 (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;
- 22 (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.



- 1 (iv) 4.75% of Maryland taxable income of \$3,001 through \$100,000;
- 2 (v) 5% of Maryland taxable income of \$100,001 through \$125,000;
- 3 (vi) 5.25% of Maryland taxable income of \$125,001 through \$150,000;
- 4 (vii) 5.5% of Maryland taxable income of \$150,001 through \$250,000;
- 5 and
- 6 (viii) 5.75% of Maryland taxable income in excess of \$250,000.

7 (2) [For] EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS
 8 SUBSECTION, FOR spouses filing a joint return or for a surviving spouse or head of
 9 household as defined in § 2 of the Internal Revenue Code, the State income tax rate is:

- 10 (i) 2% of Maryland taxable income of \$1 through \$1,000;
- 11 (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;
- 12 (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;
- 13 (iv) 4.75% of Maryland taxable income of \$3,001 through \$150,000;
- 14 (v) 5% of Maryland taxable income of \$150,001 through \$175,000;
- 15 (vi) 5.25% of Maryland taxable income of \$175,001 through \$225,000;
- 16 (vii) 5.5% of Maryland taxable income of \$225,001 through \$300,000;
- 17 and
- 18 (viii) 5.75% of Maryland taxable income in excess of \$300,000.

19 (3) (I) IN THIS PARAGRAPH, "FEDERAL INCOME TAX LIABILITY"
 20 MEANS, FOR ANY INDIVIDUAL AND ANY TAXABLE YEAR, THE FEDERAL INCOME TAX
 21 PAYABLE BY THE INDIVIDUAL FOR THAT TAXABLE YEAR UNDER THE INTERNAL
 22 REVENUE CODE, AS DETERMINED:

23 1. BEFORE THE SUBTRACTION OF CREDITS ALLOWED
 24 FOR FEDERAL INCOME TAX WITHHELD AND FOR ESTIMATED TAX PAYMENTS; AND

25 2. AFTER THE SUBTRACTION OF ALL CREDITS ALLOWED
 26 UNDER THE INTERNAL REVENUE CODE EXCEPT THE CREDITS FOR FEDERAL
 27 INCOME TAX WITHHELD AND FOR ESTIMATED TAX PAYMENTS.

1 **(II) FOR AN INDIVIDUAL DESCRIBED UNDER PARAGRAPHS (1)**
2 **OR (2) OF THIS SUBSECTION, THE STATE INCOME TAX SHALL EQUAL THE LESSER OF:**

3 **1. THE AMOUNT CALCULATED UNDER PARAGRAPHS (1)**
4 **OR (2) OF THIS SUBSECTION; OR**

5 **2. THE FEDERAL INCOME TAX LIABILITY OF THE**
6 **INDIVIDUAL.**

7 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
8 1, 2016, and shall be applicable to all taxable years beginning after December 31, 2015.