

UNOFFICIAL COPY OF SENATE BILL 523

SENATE BILL 523

Q3

2lr2940

By: Senator Manno

Introduced and read first time: February 3, 2012

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 ~~Income Tax - Repeal of the 1997 Income Tax Reduction~~ State and Local Revenue Act of  
3 2012

4 FOR the purpose of altering the State income tax rate on certain income of  
5 individuals; ~~requiring the Comptroller to waive certain interest and penalties~~  
6 ~~for a certain calendar year to a certain extent; altering, for certain taxable years, the~~  
7 ~~percentage of the federal earned income credit used for determining the amount that an individual may~~  
8 ~~claim as a refund under the State earned income tax credit under certain circumstances; providing that~~  
9 ~~for purposes of certain provisions of the sales and use tax law certain persons shall be presumed under~~  
10 ~~certain circumstances to have an agent, canvasser, representative, salesman, independent contractor, or~~  
11 ~~solicitor operating in the State for certain purposes; providing that a certain presumption may be~~  
12 ~~rebutted by certain proof; altering a certain tax rate for certain tobacco products; providing that, for~~  
13 ~~purposes of the recordation tax, secured debt with respect to certain mortgages, deeds of trust, and~~  
14 ~~other security interests in real property securing a guarantee of repayment of a loan for a certain~~  
15 ~~amount is deemed to be incurred as debt is incurred on the guaranteed loan and, with respect to those~~  
16 ~~mortgages, deeds of trust, and other security interests, the recordation tax applies in a certain manner;~~  
17 ~~altering the amount of certain fees; repealing a certain exemption to the sales and use tax for certain~~  
18 ~~sales in the form of a demurrage charge; repealing a certain modification for purposes of determining~~  
19 ~~Maryland taxable income for certain public utilities; repealing a certain credit against the State income~~  
20 ~~tax for certain public utilities; repealing an obsolete provision;~~  
21 ~~providing for the application of this Act; and generally relating to altering the~~  
22 ~~calculation of the State income tax requiring the Comptroller to waive certain interest and~~  
23 ~~penalties for a certain calendar year to a certain extent; authorizing the Comptroller to provide an~~  
24 ~~alternative method of assessing and collecting a certain additional tax; requiring that certain revenue~~  
25 ~~to be remitted to the Comptroller by a certain date; providing for that application of certain provisions~~  
26 ~~of this Act; and generally relating to raising revenue.~~

8 BY repealing and reenacting, with amendments,  
9 Article - Tax - General  
10 Section 10-105(a), 10-704(b), 11-701(b), and 12-105(b)  
11 Annotated Code of Maryland  
12 (2010 Replacement Volume and 2011 Supplement)

BY repealing and reenacting, without amendments,  
Article - Tax - General  
Section 10-704(a)  
Annotated Code of Maryland  
(2010 Replacement Volume and 2011 Supplement)

BY adding to  
Article - Tax - General  
Section 11-701.1  
Annotated Code of Maryland  
(2010 Replacement Volume and 2011 Supplement)

BY adding to,

Article - Tax - Property  
Section 12-105(f)(7)  
Annotated Code of Maryland  
(2007 Replacement Volume and 2011 Supplement)

BY repealing and reenacting, with amendments,

Article - State Government  
Section 9-1604(b)(1)(vi)  
Annotated Code of Maryland  
(2009 Replacement Volume and 2011 Supplement)

BY repealing

Article - Tax - General  
Section 10-306(c), 10-708, and 11-202  
Annotated Code of Maryland  
(2010 Replacement Volume and 2011 Supplement)

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

15 **Article - Tax - General**

16 10-105.

17 (a) (1) [Except as provided in paragraph (3) of this subsection, for] FOR  
18 an individual other than an individual described in paragraph (2) of this subsection,  
19 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;

**1. Income Tax Bracket  
and Rate Changes**

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1. Income Tax Bracket and Rate Changes

1 (iv) [4.75%] ~~5%~~ 4.9% of Maryland taxable income of \$3,001  
through  
2 ~~\$150,000~~ \$25,000;

(V) 4.95% OF MARYLAND TAXABLE INCOME OF \$25,001 THROUGH  
\$75,000;

(VI) 5% OF MARYLAND TAXABLE INCOME OF \$75,001 THROUGH  
\$150,000;

3 ~~(vii)~~ (VII) [5%] 5.25% of Maryland taxable income of \$150,001  
4 through \$300,000;

5 ~~(viii)~~ (VIII) [5.25%] 5.5% of Maryland taxable income of \$300,001  
6 through \$500,000; and

7 ~~(ix)~~ (IX) [5.5%] 5.75% of Maryland taxable income in excess of  
8 \$500,000.

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

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

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

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

15 (iv) [4.75%] ~~5%~~ 4.9% of Maryland taxable income of \$3,001

through  
16 ~~\$200,000~~ \$50,000;

(V) 4.95% OF MARYLAND TAXABLE INCOME OF \$50,001 THROUGH  
\$100,000;

(VI) 5% OF MARYLAND TAXABLE INCOME OF \$100,001 THROUGH  
\$200,000;

17 ~~(vii)~~ (VII) [5%] 5.25% of Maryland taxable income of \$200,001  
18 through \$350,000;

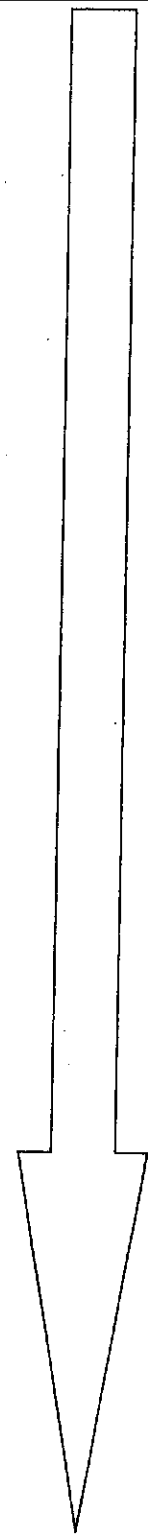
19 ~~(viii)~~ (VIII) [5.25%] 5.5% of Maryland taxable income of \$350,001  
20 through \$500,000; and

21 ~~(ix)~~ (IX) [5.5%] 5.75% of Maryland taxable income in excess of  
22 \$500,000.

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

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

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



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- 1 5.5% of Maryland taxable income of \$500,001 through
- 2 \$1,000,000; and
- 3 2. 6.25% of Maryland taxable income in excess of
- 4 \$1,000,000.]

10-704.

2. Earned Income Tax Credit - Increase

(a) (1) An individual may claim a credit against the State income tax for a taxable year in the amount determined under subsection (b) of this section for earned income.

(2) An individual may claim a credit against the county income tax for a taxable year in the amount determined under subsection (c) of this section for earned income.

(b) (1) Except as provided in paragraph (2) of this subsection and subject to subsection (d) of this section, the credit allowed against the State income tax under subsection (a)(1) of this section is the lesser of:

(i) 50% of the earned income credit allowable for the taxable year under § 32 of the Internal Revenue Code; or

(ii) the State income tax for the taxable year.

(2) (1) An individual may claim a refund in the amount, if any, by which [25%] THE APPLICABLE PERCENTAGE SPECIFIED IN SUBPARAGRAPH (II) OF THIS PARAGRAPH of the earned income credit allowable for the taxable year under § 32 of the Internal Revenue Code exceeds the State income tax for the taxable year.

(II) THE APPLICABLE PERCENTAGE OF THE EARNED INCOME CREDIT ALLOWABLE UNDER § 32 OF THE INTERNAL REVENUE CODE TO BE USED FOR PURPOSES OF DETERMINING THE REFUND PROVIDED UNDER THIS PARAGRAPH IS:

1. 26% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2011 BUT BEFORE JANUARY 1, 2013;

2. 27% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2012 BUT BEFORE JANUARY 1, 2014;

3. 28% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2013 BUT BEFORE JANUARY 1, 2015;

4. 29% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2014 BUT BEFORE JANUARY 1, 2016; AND

5. 30% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2015.

SECTION 2. BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article - Tax - General

11-701.

(b) (1) "Engage in the business of an out-of-state vendor" means to sell or deliver tangible personal property or a taxable service for use in the State.

(2) "Engage in the business of an out-of-state vendor" includes:

3. Sales and Use Tax -- Internet Sales Affiliates

(i) permanently or temporarily maintaining, occupying, or using any office, sales or sample room, or distribution, storage, warehouse, or other place for the sale of tangible personal property or a taxable service directly or indirectly through an agent or subsidiary;

(ii) having an agent, canvasser, representative, salesman, INDEPENDENT CONTRACTOR, or solicitor operating in the State for the purpose of delivering, selling, or taking orders for tangible personal property or a taxable service; or

(iii) entering the State on a regular basis to provide service or repair for tangible personal property.

3. Sales and Use Tax –  
Internet Sales Affiliates

11-701.1.

(A) IN THIS SECTION, "SELLER" MEANS A PERSON MAKING SALES OF TANGIBLE PERSONAL PROPERTY OR A TAXABLE SERVICE.

(B) FOR PURPOSES OF § 11-701(B)(2)(II) OF THIS SUBTITLE, A SELLER SHALL BE PRESUMED TO HAVE AN AGENT, CANVASSER, REPRESENTATIVE, SALESMAN, INDEPENDENT CONTRACTOR, OR SOLICITOR OPERATING IN THE STATE FOR THE PURPOSE OF SELLING OR TAKING ORDERS FOR TANGIBLE PERSONAL PROPERTY OR A TAXABLE SERVICE IF:

(1) THE SELLER ENTERS INTO AN AGREEMENT WITH A RESIDENT OF THE STATE UNDER WHICH THE RESIDENT, FOR A COMMISSION OR OTHER CONSIDERATION, DIRECTLY OR INDIRECTLY REFERS POTENTIAL CUSTOMERS TO THE SELLER, WHETHER BY A LINK ON AN INTERNET WEB SITE, OR OTHERWISE; AND

(2) THE CUMULATIVE GROSS RECEIPTS FROM SALES BY THE SELLER TO CUSTOMERS IN THE STATE WHO ARE REFERRED TO THE SELLER BY ALL RESIDENTS HAVING AN AGREEMENT WITH THE SELLER AS DESCRIBED IN ITEM (1) OF THIS SUBSECTION IS GREATER THAN \$10,000 DURING THE PRECEDING FOUR QUARTERLY PERIODS ENDING ON THE LAST DAY OF FEBRUARY, MAY, AUGUST, AND NOVEMBER.

(C) THE PRESUMPTION UNDER THIS SECTION MAY BE REBUTTED BY PROOF THAT THE RESIDENT WITH WHOM THE SELLER HAS AN AGREEMENT AS DESCRIBED IN SUBSECTION (B)(1) OF THIS SECTION DID NOT ENGAGE IN ANY SOLICITATION IN THE STATE ON BEHALF OF THE SELLER THAT WOULD SATISFY THE NEXUS REQUIREMENT OF THE UNITED STATES CONSTITUTION DURING THE FOUR QUARTERLY PERIODS IN QUESTION.

(D) THIS SECTION MAY NOT BE CONSTRUED TO NARROW THE SCOPE OF THE TERMS "AGENT", "CANVASSER", "REPRESENTATIVE", "SALESMAN", "INDEPENDENT CONTRACTOR", AND "SOLICITOR" FOR PURPOSES OF § 11-701(B)(2)(II) OF THIS SUBTITLE OR FOR PURPOSES OF ANY OTHER PROVISION OF LAW.

12-105.

(b) (1) [The] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, THE tobacco tax rate for other tobacco products is [15%] 20% of the wholesale price of the tobacco products.

(2) (i) IN THIS PARAGRAPH, "PREMIUM CIGARS" HAS THE MEANING STATED IN § 16.5-101 OF THE BUSINESS REGULATION ARTICLE.

(ii) EXCEPT AS PROVIDED IN SUBPARAGRAPH (III) OF THIS PARAGRAPH, THE TOBACCO TAX RATE FOR CIGARS IS 70% OF THE WHOLESALE PRICE OF THE CIGARS.

(iii) THE TOBACCO TAX RATE FOR PREMIUM CIGARS IS 20% OF THE WHOLESALE PRICE OF THE PREMIUM CIGARS.

4. Other Tobacco  
Tax Rate Increase

SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

12-105.

(f) (7) (i) IN THIS PARAGRAPH, "INDEMNITY MORTGAGE" INCLUDES ANY MORTGAGE, DEED OF TRUST, OR OTHER SECURITY INTEREST IN REAL PROPERTY THAT SECURES A GUARANTEE OF REPAYMENT OF A LOAN FOR WHICH THE GUARANTOR IS NOT PRIMARILY LIABLE.

(ii) EXCEPT AS PROVIDED IN SUBPARAGRAPH (iii) OF THIS PARAGRAPH:

1. SECURED DEBT WITH RESPECT TO AN INDEMNITY MORTGAGE IS DEEMED TO BE INCURRED FOR PURPOSES OF THIS SUBSECTION WHEN AND TO THE SAME EXTENT AS DEBT IS INCURRED ON THE GUARANTEED LOAN; AND

5. Recordation Tax – Indemnity Mortgages

2. THE RECORDATION TAX APPLIES UNDER THIS SUBSECTION IN THE SAME MANNER AS IF THE GUARANTOR WERE PRIMARILY LIABLE FOR THE GUARANTEED LOAN.

(iii) THIS PARAGRAPH DOES NOT APPLY:

1. TO THE EXTENT THAT RECORDATION TAX IS PAID ON ANOTHER INSTRUMENT OF WRITING THAT SECURES PAYMENT OF THE GUARANTEED LOAN; OR

2. TO AN INDEMNITY MORTGAGE THAT SECURES A GUARANTEE OF REPAYMENT OF A LOAN FOR LESS THAN \$1,000,000.

SECTION 4. BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article - State Government

9-1604.

6. Office of Administrative Hearings Fee Increase

(b) (1) The Chief Administrative Law Judge may:

(vi) assess fees to cover administrative expenses as follows:

1. to file an appeal, a fee not exceeding:

A. [\$125] \$150 for an appeal of a driver's license suspension or revocation related to a violation of the Maryland Vehicle Law; and

B. \$50 for all other types of appeals; and

2. to process a subpoena, a fee not exceeding \$5.

SECTION 5. AND BE IT FURTHER ENACTED, That Section(s) 10-306(c) and 10-708 of Article - Tax - General of the Annotated Code of Maryland be repealed.

7. Telecom Tax Credit Repeal

SECTION 6. AND BE IT FURTHER ENACTED, That Section(s) 11-202 of Article - Tax - General of the Annotated Code of Maryland be repealed.

8. Repeal of the Sales and Use Tax Exemption for Cylinder Demurrage

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

SECTION 8. AND BE IT FURTHER ENACTED, That, as provided in § 12-105 of the Tax - General Article, all other tobacco products used, possessed, or held in the State on or after July 1, 2012, by any person for sale or use in the State, shall be subject to the full tax on other tobacco products, as enacted under this Act. The Comptroller may provide an alternative method of assessing and collecting the additional tax. The

revenue attributable to this requirement shall be remitted to the Comptroller by October 15, 2012.

- 10 SECTION ~~9~~ 9. AND BE IT FURTHER ENACTED, That Sections 1 and 5 of this Act shall take effect  
effect  
11 July 1, 2012, and shall be applicable to all taxable years beginning after December 31,  
12 2011.

SECTION 10. AND BE IT FURTHER ENACTED, That Sections 2 and 6 of this Act shall take effect July 1, 2012.

~~SECTION 11. AND BE IT FURTHER ENACTED, That Section 3 of this Act shall take effect July 1, 2012, and shall be applicable to all instruments of writing recorded on or after July 1, 2012.~~

SECTION 12. AND BE IT FURTHER ENACTED, That, except as otherwise provided in this Act, of this Act shall take effect June 1, 2012.

