

Section 6 - Income Taxes

The local income tax, historically referred to as the “piggyback income tax,” was made available to political subdivisions in an effort to relieve the pressure and reliance on the local property tax.

Table 6.1 shows each county’s local income tax rate for Calendar Years 2013 through 2018. The income tax has been an area of significant change in recent years, and the basic nature and structure of the local income tax has been altered.

Prior to 1993, counties had the authority to set a local income tax rate between 20% and 50% of state tax liability. During the 1992 Legislative Session, authority was granted to counties by the General Assembly to raise the maximum “piggyback” income tax rate to 60%. Eleven counties have elected to raise their rates above 50% since that time, including Talbot County, which subsequently reduced the county income tax rate to 40% with an offsetting increase in the property tax rate.

Beginning in CY 1999, the local income tax was “decoupled” from certain provisions of the state income tax. Tax reductions enacted by the General Assembly in 1997, and revised in 1999, increased the State’s personal exemption amount and reduced the highest marginal tax rate. The tax reductions, intended to reduce income taxes by 10%, were phased in over a five-year period. However, the county income tax was “decoupled” from these changes—county taxes were calculated as though the state tax structure had not been changed.

In 1999, the General Assembly revisited the state and local income tax structure to seek further taxpayer simplicity and compliance. This legislation substantially altered the nature of the Maryland local income tax. For tax years 1999 and beyond, the taxes are applied as a flat percentage rate to the taxpayer’s entire Maryland taxable income. This modification required each county’s tax rates to be restated and adjusted to reflect the new tax format (stating the tax rate as a percent of taxable income rather than as a percent of state taxes due). In essence, the “piggyback” tax (a tax based on an amount of the state tax) was abolished, and replaced with a simpler, flat-rate tax applied to all taxable income.

Table 6.2 displays estimated yields and property tax equivalents by subdivision for Fiscal Years 2014 through 2018. The table also reflects the increase or (decrease) in piggyback tax revenues between Fiscal Years 2017 and 2018 for each subdivision.

Table 6.3 compares and ranks counties based upon their CY 2015 net taxable income and per capita taxable income. Data from 2015 is the most recently compiled data available from the Office of the Comptroller.

TABLE 6.1
LOCAL INCOME TAX RATES
 Rates as Percentage of Maryland Taxable Income
 Tax/Calendar Years 2013 Through 2018

SUBDIVISION	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018
ALLEGANY	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%
ANNE ARUNDEL	2.56%	2.56%	2.56%	2.50%	2.50%	2.50%
BALTIMORE CITY	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
BALTIMORE COUNTY	2.83%	2.83%	2.83%	2.83%	2.83%	2.83%
CALVERT	2.80%	2.80%	2.80%	2.80%	3.00%	3.00%
CAROLINE	2.63%	2.73%	2.73%	2.73%	2.73%	3.20%
CARROLL ¹	3.05%	3.04%	3.03%	3.03%	3.03%	3.03%
CECIL	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
CHARLES	2.90%	3.03%	3.03%	3.03%	3.03%	3.03%
DORCHESTER	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%
FREDERICK	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%
GARRETT	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%
HARFORD	3.06%	3.06%	3.06%	3.06%	3.06%	3.06%
HOWARD	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
KENT	2.85%	2.85%	2.85%	2.85%	2.85%	2.85%
MONTGOMERY	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
PRINCE GEORGE'S	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
QUEEN ANNE'S	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
ST. MARY'S	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
SOMERSET	3.15%	3.15%	3.15%	3.15%	3.20%	3.20%
TALBOT	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%
WASHINGTON	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
WICOMICO	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
WORCESTER	1.25%	1.25%	1.25%	1.75%	1.75%	1.75%

¹ Calendar Year 2015 Income Tax Rate was lowered from 3.04% effective January 1, 2015

SOURCE: Maryland Association of Counties/Department of Legislative Services, Budget and Tax Rate Survey, August 2017

TABLE 6.2
ESTIMATED LOCAL INCOME TAX YIELDS & PROPERTY TAX EQUIVALENT
FISCAL YEARS 2014 THROUGH 2018

SUBDIVISION	Local Income Tax Yields					Change FY 17 to 18		Property Tax Equiv. of Total Income Tax Yield for FY 2018
	FY 2014	FY 2015	FY 2016	Est. FY 2017	Est. FY 2018	Amount	Percent	
ALLEGANY	24,112,733	25,910,575	26,880,919	27,149,213	26,649,213	(500,000)	-1.84%	\$0.61
ANNE ARUNDEL	435,870,098	444,302,777	456,192,055	463,000,000	486,000,000	23,000,000	4.97%	\$0.69
BALTIMORE CITY	284,437,489	308,634,101	345,983,124	317,656,198	350,808,000	33,151,802	10.44%	\$0.87
BALTIMORE COUNTY	667,924,145	696,334,824	709,377,523	700,648,986	731,670,286	31,021,300	4.43%	\$0.90
CALVERT	66,768,748	71,289,228	74,566,392	80,000,000	87,500,000	7,500,000	9.38%	\$0.70
CAROLINE	11,461,356	12,279,932	12,901,392	12,450,000	12,900,000	450,000	3.61%	\$0.52
CARROLL	131,533,099	126,688,154	148,005,116	152,106,065	158,510,140	6,404,075	4.21%	\$0.84
CECIL	50,800,381	53,954,296	55,806,618	56,439,257	60,363,860	3,924,603	6.95%	\$0.59
CHARLES	99,513,353	109,709,956	123,429,876	120,591,000	124,210,000	3,619,000	3.00%	\$0.68
DORCHESTER	12,258,240	11,829,991	11,859,405	12,520,637	12,100,000	(420,637)	-3.36%	\$0.43
FREDERICK	174,145,880	195,202,656	203,361,507	205,212,335	206,895,978	1,683,643	0.82%	\$0.73
GARRETT	10,992,150	11,921,943	12,035,921	11,950,000	11,950,000	0	0.00%	\$0.24
HARFORD	190,046,278	193,733,708	207,377,171	213,000,000	219,000,000	6,000,000	2.82%	\$0.81
HOWARD	392,660,792	394,985,296	433,403,645	430,586,155	444,292,184	13,706,029	3.18%	\$0.86
KENT	13,696,595	13,696,595	12,232,681	12,386,099	12,777,728	391,629	3.16%	\$0.43
MONTGOMERY	1,376,763,653	1,310,821,061	1,433,417,237	1,487,580,000	1,557,887,237	70,307,237	4.73%	\$0.82
PRINCE GEORGE'S	513,959,197	545,291,434	570,655,236	591,492,100	632,685,000	41,192,900	6.96%	\$0.75
QUEEN ANNE'S	40,326,921	44,643,870	47,928,725	46,448,552	49,436,992	2,988,440	6.43%	\$0.64
ST. MARY'S	77,384,719	81,002,813	85,525,116	89,028,917	92,107,299	3,078,382	3.46%	\$0.72
SOMERSET	6,296,565	6,882,133	7,093,148	6,800,000	6,980,000	180,000	2.65%	\$0.45
TALBOT	27,108,102	28,562,934	26,568,636	26,100,000	26,900,000	800,000	3.07%	\$0.38
WASHINGTON	68,864,506	73,603,292	75,208,180	77,500,000	82,000,000	4,500,000	5.81%	\$0.67
WICOMICO	43,553,322	46,070,753	48,859,441	46,022,556	49,350,000	3,327,444	7.23%	\$0.80
WORCESTER	13,673,793	13,690,331	17,931,884	18,300,000	22,500,000	4,200,000	22.95%	\$0.14
TOTAL	4,734,152,115	4,821,042,653	5,146,600,948	5,204,968,070	5,465,473,917	260,505,847	5.00%	

SOURCE: Maryland Association of Counties/Department of Legislative Services, Budget and Tax Rate Survey, August 2017

TABLE 6.3
NET AND PER CAPITA TAXABLE INCOME
CALENDAR YEAR 2015

SUBDIVISION	Estimated Population July 2015 ¹	Total Net Taxable Income ²	Rank	Per Capita Net Taxable Income	Rank
ALLEGANY	72,528	927,880,341	19	12,793	23
ANNE ARUNDEL	564,195	17,332,326,744	3	30,720	4
BALTIMORE CITY	621,849	9,285,343,745	6	14,932	20
BALTIMORE COUNTY	831,128	22,384,299,538	2	26,932	9
CALVERT	90,595	2,509,186,114	13	27,697	7
CAROLINE	32,579	478,064,252	20	14,674	21
CARROLL	167,627	4,725,310,527	9	28,189	5
CECIL	102,382	1,981,521,700	14	19,354	15
CHARLES	156,118	3,584,462,427	10	22,960	13
DORCHESTER	32,384	461,853,444	21	14,262	22
FREDERICK	245,322	6,729,824,746	7	27,433	8
GARRETT	29,460	457,427,916	22	15,527	18
HARFORD	250,290	6,482,318,288	8	25,899	10
HOWARD	313,414	12,279,074,554	5	39,178	2
KENT	19,787	435,021,222	23	21,985	14
MONTGOMERY	1,040,116	42,311,573,366	1	40,680	1
PRINCE GEORGE'S	909,535	16,226,319,499	4	17,840	16
QUEEN ANNE'S	48,904	1,364,875,459	16	27,909	6
ST. MARY'S	111,413	2,705,578,955	11	24,284	11
SOMERSET	25,768	221,141,922	24	8,582	24
TALBOT	37,512	1,169,805,337	18	31,185	3
WASHINGTON	149,585	2,651,705,738	12	17,727	17
WICOMICO	102,370	1,549,193,889	15	15,133	19
WORCESTER	51,540	1,249,149,607	17	24,237	12
TOTAL IN STATE	6,006,401	159,503,259,330		26,556	
OUT OF STATE		5,825,192,366			
TOTAL		\$165,328,451,696			

¹ July 2015 Population data from Maryland Department of Legislative Services 2017 Overview of Maryland Local Governments-Finances and Demographic Information, page 13

² Comptroller of the Treasury, Revenue Administration Division, "Income Tax Summary Report, Tax Year 2015," page 8 "Net Taxable Income"