

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 2005 through 2010. 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 2006 through 2010. The table also reflects the increase or (decrease) in piggyback tax revenues between Fiscal Years 2009 and 2010 for each subdivision.

Table 6.3 compares and ranks counties based upon their CY 2008 net taxable income and per capita taxable income. Data from 2008 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 2005 Through 2010

SUBDIVISION	CY 2005	CY 2006	CY 2007	CY 2008	CY 2009	CY 2010
ALLEGANY	2.93%	2.93%	2.93%	3.05%	3.05%	3.05%
ANNE ARUNDEL	2.56%	2.56%	2.56%	2.56%	2.56%	2.56%
BALTIMORE CITY	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%
BALTIMORE COUNTY	2.83%	2.83%	2.83%	2.83%	2.83%	2.83%
CALVERT	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
CAROLINE	2.63%	2.63%	2.63%	2.63%	2.63%	2.63%
CARROLL	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%
CECIL	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
CHARLES	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%
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%	3.10%	3.10%	3.20%	3.20%
QUEEN ANNE'S	2.85%	2.85%	2.85%	2.85%	2.85%	2.85%
ST. MARY'S	3.05%	3.00%	3.00%	3.00%	3.00%	3.00%
SOMERSET	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%
TALBOT	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
WASHINGTON	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
WICOMICO	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%
WORCESTER	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%

Source: Maryland Association of Counties, Budget and Tax Rate Survey, November 2009

TABLE 6.2
ESTIMATED LOCAL INCOME TAX YIELDS & PROPERTY TAX EQUIVALENT
FISCAL YEARS 2006 THROUGH 2010

SUBDIVISION	LOCAL INCOME TAX YIELDS					Change FY 09 to 10		Property Tax Equiv. of Total Income Tax Yield for FY 2010
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	Amount	Percent	
ALLEGANY	22,103,548	23,977,520	24,859,124	25,429,319	23,100,000	(2,329,319)	-9.16%	\$0.56
ANNE ARUNDEL	328,424,355	361,956,043	371,369,460	372,441,155	356,850,000	(15,591,155)	-4.19%	\$0.57
BALTIMORE CITY	224,011,000	214,780,000	267,624,939	262,901,249	251,683,000	(11,218,249)	-4.27%	\$0.79
BALTIMORE COUNTY	547,875,118	577,392,439	631,772,154	621,284,318	597,630,678	(23,653,640)	-3.81%	\$0.83
CALVERT	55,625,569	59,064,889	62,153,000	58,370,205	60,500,000	2,129,795	3.65%	\$0.45
CAROLINE	10,665,389	11,260,799	11,646,302	10,850,761	11,335,000	484,239	4.46%	\$1.11
CARROLL	108,435,387	100,272,976	117,976,994	112,763,103	107,000,000	(5,763,103)	-5.11%	\$0.50
CECIL	44,608,423	46,864,546	50,192,279	48,851,186	49,400,000	548,814	1.12%	\$0.47
CHARLES	79,175,266	80,001,338	81,823,096	82,314,487	83,137,600	823,113	1.00%	\$0.44
DORCHESTER	10,164,499	10,229,499	11,523,663	12,561,789	9,700,000	(2,861,789)	-22.78%	\$0.30
FREDERICK	144,199,778	154,536,579	161,633,784	158,356,951	150,945,395	(7,411,556)	-4.68%	\$0.53
GARRETT	9,413,527	10,777,751	11,110,742	10,423,109	10,500,000	76,891	0.74%	\$0.24
HARFORD	154,144,028	163,121,923	164,337,260	161,364,855	155,293,037	(6,071,818)	-3.76%	\$0.60
HOWARD	283,064,779	293,306,900	316,060,767	317,213,178	300,650,000	(16,563,178)	-5.22%	\$0.72
KENT	10,297,550	10,400,000	12,100,529	12,100,769	12,400,000	299,231	2.47%	\$0.45
MONTGOMERY	969,564,578	1,265,377,139	1,291,339,613	1,291,716,935	1,120,705,239	(171,011,696)	-13.24%	\$0.64
PRINCE GEORGE'S ¹	399,165,854	388,008,161	404,188,793	435,409,723	395,797,300	(39,612,423)	-9.10%	\$0.41
QUEEN ANNE'S	31,633,987	34,980,663	34,767,725	35,988,334	36,033,311	44,977	0.12%	\$0.40
ST. MARY'S	56,687,230	58,521,923	62,829,665	61,471,674	65,300,000	3,828,326	6.23%	\$0.60
SOMERSET	5,858,239	6,988,696	7,082,322	6,676,022	5,600,000	(1,076,022)	-16.12%	\$0.32
TALBOT	23,825,934	28,794,974	31,626,307	31,635,555	18,000,000	(13,635,555)	-43.10%	\$0.28
WASHINGTON	62,387,992	66,488,879	66,257,074	63,033,878	68,000,000	4,966,122	7.88%	\$0.55
WICOMICO	43,808,353	44,816,979	45,077,614	41,198,096	39,300,000	(1,898,096)	-4.61%	\$0.42
WORCESTER	14,310,438	15,842,045	13,684,600	13,062,134	13,000,000	(62,134)	-0.48%	\$0.07
TOTAL	3,639,450,821	4,027,762,661	4,253,037,806	4,247,418,785	3,941,860,560	(305,558,225)	-7.19%	

¹ Prince George's numbers do not include disparity grant.

Source: Maryland Association of Counties, Budget and Tax Rate Survey, November 2009

TABLE 6.3
NET AND PER CAPITA TAXABLE INCOME
CALENDAR YEAR 2008

SUBDIVISION	ESTIMATED POPULATION JULY 2008 ¹	TOTAL NET TAXABLE INCOME ²	RANK	PER CAPITA NET TAXABLE INCOME	RANK
ALLEGANY	72,238	865,875,839	19	11,986	21
ANNE ARUNDEL	512,790	13,439,040,498	3	26,208	4
BALTIMORE CITY	636,919	7,381,747,368	6	11,590	23
BALTIMORE COUNTY	785,618	18,135,334,970	2	23,084	5
CALVERT	88,698	1,982,461,512	12	22,351	8
CAROLINE	33,138	409,206,703	20	12,349	22
CARROLL	169,353	3,618,811,431	9	21,368	9
CECIL	99,926	1,690,134,777	14	16,914	15
CHARLES	140,764	2,780,008,615	10	19,749	11
DORCHESTER	31,998	401,656,825	21	12,553	20
FREDERICK	225,721	5,186,740,457	7	22,979	6
GARRETT	29,698	396,319,123	22	13,345	19
HARFORD	240,351	5,102,341,898	8	21,229	10
HOWARD	274,995	8,813,104,613	5	32,048	2
KENT	20,151	345,378,009	23	17,139	14
MONTGOMERY	950,680	32,876,469,466	1	34,582	1
PRINCE GEORGE'S	820,852	12,724,069,846	4	15,501	16
QUEEN ANNE'S	47,091	1,070,637,968	16	22,736	7
ST. MARY'S	101,578	1,958,252,907	13	19,278	12
SOMERSET	26,119	209,885,636	24	8,036	24
TALBOT	36,215	997,801,625	17	27,552	3
WASHINGTON	145,384	2,247,552,637	11	15,459	17
WICOMICO	94,046	1,329,950,633	15	14,141	18
WORCESTER	49,274	910,200,259	18	18,472	13
TOTAL IN STATE	5,633,597	124,872,983,615		22,166	
OUT OF STATE		5,032,220,377			
TOTAL		\$129,905,203,992			

¹ Maryland Department of Legislative Services, September 2009

² Comptroller of the Treasury, Revenue Administration Division, "Income Tax Summary Report, Tax Year 2008"