

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 2014 through 2019. 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 2015 through 2019. The table also reflects the increase or (decrease) in piggyback tax revenues between Fiscal Years 2018 and 2019 for each subdivision.

Table 6.3 compares and ranks counties based upon their CY 2016 net taxable income and per capita taxable income. Data from 2016 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 2014 Through 2019

SUBDIVISION	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019
ALLEGANY	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%
ANNE ARUNDEL	2.56%	2.56%	2.50%	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	2.73%	2.73%	2.73%	2.73%	2.73%	3.20%
CARROLL ¹	3.04%	3.03%	3.03%	3.03%	3.03%	3.03%
CECIL	2.80%	2.80%	2.80%	2.80%	3.00%	3.00%
CHARLES	3.03%	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%	1.75%	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 2018

TABLE 6.2
ESTIMATED LOCAL INCOME TAX YIELDS & PROPERTY TAX EQUIVALENT
FISCAL YEARS 2015 THROUGH 2019

SUBDIVISION	Local Income Tax Yields					Change FY 18 to 19		Property Tax Equiv. of Total Income Tax Yield for FY 2019
	FY 2015	FY 2016	FY 2017	Est. FY 2018	Est. FY 2019	Amount	Percent	
ALLEGANY	25,910,575	26,880,919	26,435,017	26,649,213	26,149,213	(500,000)	-1.88%	\$0.59
ANNE ARUNDEL	444,302,777	456,192,055	491,528,416	486,000,000	517,958,000	31,958,000	6.58%	\$0.71
BALTIMORE CITY	308,634,101	345,983,124	334,851,015	350,808,000	353,644,000	2,836,000	0.81%	\$0.85
BALTIMORE COUNTY	696,334,824	709,377,523	697,693,977	697,228,422	773,525,650	76,297,228	10.94%	\$0.92
CALVERT	71,289,228	74,566,392	77,251,931	87,500,000	90,700,000	3,200,000	3.66%	\$0.72
CAROLINE	12,279,932	12,901,392	13,434,120	12,900,000	13,900,000	1,000,000	7.75%	\$0.58
CARROLL	126,688,154	148,005,116	150,118,290	158,510,140	161,002,901	2,492,761	1.57%	\$0.83
CECIL	53,954,296	55,806,618	57,614,306	60,363,860	62,572,542	2,208,682	3.66%	\$0.59
CHARLES	109,709,956	123,429,876	119,349,494	124,210,000	127,940,000	3,730,000	3.00%	\$0.67
DORCHESTER	11,829,991	11,859,405	12,098,963	12,100,000	12,309,054	209,054	1.73%	\$0.45
FREDERICK	195,202,656	203,361,507	202,906,047	206,895,978	217,363,700	10,467,722	5.06%	\$0.71
GARRETT	11,921,943	12,035,921	12,077,241	11,950,000	11,950,000	0	0.00%	\$0.24
HARFORD	193,733,708	207,377,171	212,689,205	219,000,000	226,700,000	7,700,000	3.52%	\$0.86
HOWARD	394,985,296	433,403,645	435,233,271	444,292,184	454,296,394	10,004,180	2.25%	\$0.89
KENT	13,696,595	12,232,681	12,986,434	12,777,728	12,986,400	208,672	1.63%	\$0.43
MONTGOMERY	1,310,821,061	1,433,417,237	1,466,625,994	1,557,887,000	1,585,159,000	27,272,000	1.75%	\$0.81
PRINCE GEORGES	545,291,434	570,655,236	586,032,310	632,685,000	634,619,900	1,934,900	0.31%	\$0.69
QUEEN ANNE'S	44,643,870	47,928,725	48,578,044	49,436,992	51,536,447	2,099,455	4.25%	\$0.64
ST. MARY'S	81,002,813	85,525,116	88,167,869	92,107,299	93,904,332	1,797,033	1.95%	\$0.72
SOMERSET	6,882,133	7,093,148	6,908,675	6,980,000	7,120,648	140,648	2.02%	\$0.45
TALBOT	28,562,934	26,568,636	28,007,970	26,900,000	25,600,000	(1,300,000)	-4.83%	\$0.35
WASHINGTON	73,603,292	75,208,180	78,891,902	82,000,000	84,000,000	2,000,000	2.44%	\$0.67
WICOMICO	46,070,753	48,859,441	50,749,316	49,350,000	52,500,000	3,150,000	6.38%	\$0.82
WORCESTER	13,690,331	17,931,884	22,891,694	22,500,000	23,000,000	500,000	2.22%	\$0.14
TOTAL	4,821,042,653	5,146,600,948	5,233,121,501	5,431,031,816	5,620,438,151	189,406,335	3.49%	

SOURCE: Maryland Association of Counties/Department of Legislative Services, Budget and Tax Rate Survey, August 2018

TABLE 6.3
NET AND PER CAPITA TAXABLE INCOME
CALENDAR YEAR 2016

SUBDIVISION	Estimated Population July 2016 ¹	Total Net Taxable Income ²	Rank	Per Capita Net Taxable Income	Rank
ALLEGANY	70,541	923,837,979	19	13,096	23
ANNE ARUNDEL	581,980	18,216,632,215	3	31,301	3
BALTIMORE CITY	601,644	9,657,703,228	6	16,052	18
BALTIMORE COUNTY	835,065	22,387,189,959	2	26,809	9
CALVERT	92,289	2,570,965,464	13	27,858	7
CAROLINE	33,767	500,712,270	20	14,829	22
CARROLL	168,790	4,865,470,814	9	28,826	6
CECIL	102,908	2,035,509,323	14	19,780	15
CHARLES	164,045	3,706,405,612	10	22,594	13
DORCHESTER	31,944	476,283,027	21	14,910	21
FREDERICK	259,712	7,007,985,479	7	26,984	8
GARRETT	29,005	450,159,077	22	15,520	19
HARFORD	255,182	6,683,757,229	8	26,192	10
HOWARD	329,783	12,446,585,252	5	37,742	2
KENT	18,936	425,389,013	23	22,465	14
MONTGOMERY	1,079,558	43,483,145,210	1	40,279	1
PRINCE GEORGE'S	917,053	16,501,675,552	4	17,994	16
QUEEN ANNE'S	50,807	1,465,396,922	16	28,842	5
ST. MARY'S	114,369	2,768,373,813	11	24,206	11
SOMERSET	26,106	225,789,056	24	8,649	24
TALBOT	36,859	1,132,954,384	18	30,737	4
WASHINGTON	151,986	2,680,126,846	12	17,634	17
WICOMICO	103,675	1,586,575,012	15	15,303	20
WORCESTER	51,970	1,215,306,788	17	23,385	12
TOTAL IN STATE	6,107,975	163,413,929,524		26,754	
OUT OF STATE		6,307,000,073			
TOTAL		\$169,720,929,597			

¹ Maryland Department of Legislative Services, October 2018

² Comptroller of the Treasury, Revenue Administration Division, "Income Tax Summary Report, Tax Year 2016"