

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 2015 through 2020. 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 2016 through 2020. The table also reflects the increase or (decrease) in piggyback tax revenues between Fiscal Years 2019 and 2020 for each subdivision.

Table 6.3 compares and ranks counties based upon their CY 2018 net taxable income and per capita taxable income. Data from 2018 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 2015 Through 2020

SUBDIVISION	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020
ALLEGANY	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%
ANNE ARUNDEL	2.56%	2.50%	2.50%	2.50%	2.50%	2.81%
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%	3.20%
CALVERT	2.80%	2.80%	2.80%	3.00%	3.00%	3.00%
CAROLINE	2.73%	2.73%	2.73%	2.73%	2.73/3.2%	3.20%
CARROLL	3.03%	3.03%	3.03%	3.03%	3.03%	3.03%
CECIL	2.80%	2.80%	2.80%	3.00%	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%	3.20%
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%	3.20%
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%	3.17%
SOMERSET	3.15%	3.15%	3.15%	3.20%	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%	3.20%
WICOMICO	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
WORCESTER	1.25%	1.75%	1.75%	1.75%	1.75%	2.25%

SOURCE: Maryland Association of Counties/Department of Legislative Services, Budget and Tax Rate Survey, August 2019

TABLE 6.2
ESTIMATED LOCAL INCOME TAX YIELDS & PROPERTY TAX EQUIVALENT
FISCAL YEARS 2016 THROUGH 2020

SUBDIVISION	Local Income Tax Yields					Change FY 19 to 20		Property Tax Equiv. of Total Income Tax Yield for FY 2020
	FY 2016	FY 2017	FY 2018	Est. FY 2019	Est. FY 2020	Amount	Percent	
ALLEGANY	26,880,919	26,435,017	25,797,515	26,149,213	27,195,182	1,045,969	4.00%	\$0.62
ANNE ARUNDEL	456,192,055	491,528,416	508,267,424	517,958,000	564,999,600	47,041,600	9.08%	\$0.75
BALTIMORE CITY	345,983,124	334,851,015	346,796,930	353,644,000	366,804,000	13,160,000	3.72%	\$0.84
BALTIMORE COUNTY	709,377,523	697,693,977	680,281,749	773,525,650	804,685,745	31,160,095	4.03%	\$0.93
CALVERT	74,566,392	77,251,931	83,786,433	90,700,000	91,659,331	959,331	1.06%	\$0.71
CAROLINE	12,901,392	13,434,120	13,870,004	13,900,000	16,170,000	2,270,000	16.33%	\$0.66
CARROLL	148,005,116	150,118,290	153,469,703	161,002,901	163,878,720	2,875,819	1.79%	\$0.82
CECIL	55,806,618	57,614,306	58,909,734	62,572,542	63,322,542	750,000	1.20%	\$0.58
CHARLES	123,429,876	119,349,494	124,654,098	127,940,000	134,337,000	6,397,000	5.00%	\$0.73
DORCHESTER	11,859,405	12,098,963	12,564,574	12,612,176	14,168,894	1,556,718	12.34%	\$0.53
FREDERICK	203,361,507	202,906,047	217,210,924	219,803,105	227,145,067	7,341,962	3.34%	\$0.74
GARRETT	12,035,921	12,077,241	12,490,262	11,950,000	11,950,000	0	0.00%	\$0.24
HARFORD	207,377,171	212,689,205	218,196,227	226,700,000	233,501,000	6,801,000	3.00%	\$0.85
HOWARD	433,403,645	435,233,271	444,453,384	454,296,364	465,243,628	10,947,264	2.41%	\$0.88
KENT	12,232,681	12,986,434	12,736,121	12,986,400	13,850,000	863,600	6.65%	\$0.45
MONTGOMERY	1,433,417,237	1,466,625,994	1,469,251,059	1,542,918,907	1,640,319,299	97,400,392	6.31%	\$0.81
PRINCE GEORGES	570,655,236	586,032,310	598,763,004	634,619,900	663,740,700	29,120,800	4.59%	\$0.70
QUEEN ANNE'S	47,928,725	48,578,044	51,834,189	51,536,447	55,847,412	4,310,965	8.36%	\$0.69
ST. MARYS	85,525,116	88,167,869	90,410,603	93,904,332	101,272,567	7,368,235	7.85%	\$0.77
SOMERSET	7,093,148	6,908,675	7,625,199	7,120,648	7,450,000	329,352	4.63%	\$0.46
TALBOT	26,568,636	28,007,970	25,767,710	25,600,000	26,500,000	900,000	3.52%	\$0.36
WASHINGTON	75,208,180	78,891,902	77,919,871	84,000,000	87,950,000	3,950,000	4.70%	\$0.69
WICOMICO	48,859,441	50,749,316	50,400,906	52,500,000	52,200,000	(300,000)	-0.57%	\$0.48
WORCESTER	17,931,884	22,891,694	22,260,250	23,000,000	26,500,000	3,500,000	15.22%	\$0.16
TOTAL	5,146,600,948	5,233,121,501	5,307,717,872	5,580,940,585	5,860,690,687	279,750,102	5.01%	

SOURCE: Maryland Association of Counties/Department of Legislative Services, Budget and Tax Rate Survey, August 2019

TABLE 6.3
NET AND PER CAPITA TAXABLE INCOME
CALENDAR YEAR 2018

SUBDIVISION	Estimated Population July 2018 ¹	Total Net Taxable Income ²	Rank	Per Capita Net Taxable Income	Rank
ALLEGANY	70,541	1,005,063,533	19	14,248	23
ANNE ARUNDEL	581,980	20,854,496,522	3	35,834	4
BALTIMORE CITY	601,644	10,912,128,996	6	18,137	19
BALTIMORE COUNTY	835,065	25,407,083,008	2	30,425	9
CALVERT	92,289	2,945,239,028	13	31,913	7
CAROLINE	33,767	578,547,625	20	17,134	20
CARROLL	168,790	5,543,363,286	9	32,842	6
CECIL	102,908	2,285,159,944	14	22,206	15
CHARLES	164,045	4,232,221,112	10	25,799	14
DORCHESTER	31,944	538,147,196	21	16,846	22
FREDERICK	259,712	8,202,980,647	7	31,585	8
GARRETT	29,005	551,246,969	22	19,005	18
HARFORD	255,182	7,655,549,977	8	30,000	10
HOWARD	329,783	14,496,836,737	5	43,959	2
KENT	18,936	500,099,463	23	26,410	13
MONTGOMERY	1,079,558	49,375,804,377	1	45,737	1
PRINCE GEORGE'S	917,053	18,961,752,472	4	20,677	16
QUEEN ANNE'S	50,807	1,715,973,778	16	33,774	5
ST. MARY'S	114,369	3,189,401,656	11	27,887	11
SOMERSET	26,106	246,974,538	24	9,461	24
TALBOT	36,859	1,478,248,845	18	40,105	3
WASHINGTON	151,986	3,034,595,064	12	19,966	17
WICOMICO	103,675	1,758,156,283	15	16,958	21
WORCESTER	51,970	1,387,009,956	17	26,689	12
TOTAL IN STATE	6,107,975	186,856,081,012		30,592	
OUT OF STATE		7,595,803,654			
TOTAL		\$194,451,884,666			

¹ Maryland Department of Legislative Services, October 2019

² Comptroller of the Treasury, Revenue Administration Division, "Income Tax Summary Report, Tax Year 2018"