

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 2012 through 2017. 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 2013 through 2017. The table also reflects the increase or (decrease) in piggyback tax revenues between Fiscal Years 2016 and 2017 for each subdivision.

Table 6.3 compares and ranks counties based upon their CY 2014 net taxable income and per capita taxable income. Data from 2014 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 2012 Through 2017

SUBDIVISION	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017
ALLEGANY	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%
ANNE ARUNDEL	2.49%	2.56%	2.56%	2.56%	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%	2.80%	3.00%
CAROLINE	2.63%	2.63%	2.73%	2.73%	2.73%	2.73%
CARROLL ¹	3.05%	3.05%	3.04%	3.03%	3.03%	3.03%
CECIL	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
CHARLES	2.90%	2.90%	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%	3.15%	3.15%
TALBOT	2.25%	2.40%	2.40%	2.40%	2.40%	2.40%
WASHINGTON	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
WICOMICO	3.10%	3.20%	3.20%	3.20%	3.20%	3.20%
WORCESTER	1.25%	1.25%	1.25%	1.25%	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 2016

TABLE 6.2
ESTIMATED LOCAL INCOME TAX YIELDS & PROPERTY TAX EQUIVALENT
FISCAL YEARS 2013 THROUGH 2017

SUBDIVISION	Local Income Tax Yields					Change FY 16 to 17		Property Tax Equiv. of Total Income Tax Yield for FY 2017
	FY 2013	FY 2014	FY 2015	Est. FY 2016	Est. FY 2017	Amount	Percent	
ALLEGANY	24,249,252	24,112,733	25,910,575	24,859,683	27,149,213	2,289,530	9.21%	\$0.62
ANNE ARUNDEL	407,582,398	435,870,098	444,302,777	450,560,000	463,000,000	12,440,000	2.76%	\$0.69
BALTIMORE CITY	278,469,250	284,437,489	308,634,101	293,109,000	317,656,198	24,547,198	8.37%	\$0.82
BALTIMORE COUNTY	624,060,806	667,924,145	696,334,824	713,149,282	739,104,822	25,955,540	3.64%	\$0.94
CALVERT	64,127,088	66,768,748	71,289,228	74,550,000	80,000,000	5,450,000	7.31%	\$0.58
CAROLINE	11,103,027	11,461,356	12,279,932	11,800,000	12,450,000	650,000	5.51%	\$0.50
CARROLL	127,555,768	131,533,099	126,688,154	143,410,440	152,106,065	8,695,625	6.06%	\$0.83
CECIL	50,421,108	50,800,381	53,954,296	53,900,000	56,439,257	2,539,257	4.71%	\$0.55
CHARLES	99,440,598	99,513,353	109,709,956	112,564,300	120,591,000	8,026,700	7.13%	\$0.65
DORCHESTER	9,692,631	12,258,240	11,829,991	11,966,549	12,520,637	554,088	4.63%	\$0.45
FREDERICK	176,068,392	174,145,880	195,202,656	192,924,600	205,212,335	12,287,735	6.37%	\$0.76
GARRETT	11,206,954	10,992,150	11,921,943	10,821,000	11,950,000	1,129,000	10.43%	\$0.24
HARFORD	183,317,187	190,046,278	193,733,708	203,407,621	213,000,000	9,592,379	4.72%	\$0.81
HOWARD	374,358,092	392,660,792	394,985,296	407,366,530	430,586,155	23,219,625	5.70%	\$0.85
KENT	11,047,174	13,696,595	13,696,595	11,250,000	13,000,000	1,750,000	15.56%	\$0.44
MONTGOMERY	1,317,533,090	1,376,763,653	1,310,821,061	1,433,417,237	1,487,580,000	54,162,763	3.78%	\$0.81
PRINCE GEORGE'S	526,961,004	513,959,197	545,291,434	550,900,300	591,492,100	40,591,800	7.37%	\$0.75
QUEEN ANNE'S	39,438,906	40,326,921	44,643,870	44,767,650	46,448,552	1,680,902	3.75%	\$0.61
ST. MARY'S	76,746,270	77,384,719	81,002,813	86,700,000	89,028,917	2,328,917	2.69%	\$0.71
SOMERSET	6,123,153	6,296,565	6,882,133	6,150,000	6,800,000	650,000	10.57%	\$0.43
TALBOT	23,140,754	27,108,102	28,562,934	28,000,000	26,100,000	(1,900,000)	-6.79%	\$0.41
WASHINGTON	65,763,209	68,864,506	73,603,292	74,910,000	77,500,000	2,590,000	3.46%	\$0.66
WICOMICO	41,027,904	43,553,322	46,070,753	41,496,963	46,022,556	4,525,593	10.91%	\$0.76
WORCESTER	12,676,852	13,673,793	13,690,331	14,900,000	18,300,000	3,400,000	22.82%	\$0.12
TOTAL	4,562,110,868	4,734,152,115	4,821,042,653	4,996,881,155	5,244,037,807	247,156,652	4.95%	

SOURCE: Maryland Association of Counties/Department of Legislative Services, Budget and Tax Rate Survey, August 2016

TABLE 6.3
NET AND PER CAPITA TAXABLE INCOME
CALENDAR YEAR 2014

SUBDIVISION	Estimated Population July 2014 ¹	Total Net Taxable Income ²	Rank	Per Capita Net Taxable Income	Rank
ALLEGANY	72,952	920,842,129	19	12,623	23
ANNE ARUNDEL	560,133	16,394,337,249	3	29,269	4
BALTIMORE CITY	622,793	9,150,563,712	6	14,693	19
BALTIMORE COUNTY	826,925	22,310,073,220	2	26,980	5
CALVERT	90,613	2,397,027,211	13	26,453	9
CAROLINE	32,538	458,233,548	20	14,083	21
CARROLL	167,830	4,510,203,892	9	26,874	6
CECIL	102,383	1,921,940,211	14	18,772	15
CHARLES	154,747	3,575,708,082	10	23,107	12
DORCHESTER	32,578	451,661,240	21	13,864	22
FREDERICK	243,675	6,448,924,233	7	26,465	8
GARRETT	29,679	444,994,015	22	14,994	18
HARFORD	250,105	6,201,794,555	8	24,797	10
HOWARD	309,284	11,824,512,998	5	38,232	2
KENT	19,820	442,011,688	23	22,301	13
MONTGOMERY	1,030,447	40,868,459,662	1	39,661	1
PRINCE GEORGE'S	904,430	15,622,567,246	4	17,273	16
QUEEN ANNE'S	48,804	1,299,718,683	16	26,631	7
ST. MARY'S	110,382	2,583,124,189	11	23,402	11
SOMERSET	25,859	217,802,551	24	8,423	24
TALBOT	37,643	1,135,662,569	17	30,169	3
WASHINGTON	149,573	2,569,550,178	12	17,179	17
WICOMICO	101,539	1,464,542,409	15	14,423	20
WORCESTER	51,675	1,072,579,791	18	20,756	14
TOTAL IN STATE	5,976,407	154,286,835,261		25,816	
OUT OF STATE		5,039,641,218			
TOTAL		\$159,326,476,479			

¹ Maryland Department of Legislative Services, October 2016

² Comptroller of the Treasury, Revenue Administration Division, "Income Tax Summary Report, Tax Year 2014"