

Tax Alert



Comptroller of Maryland • Revenue Administration Division • 110 Carroll Street • Annapolis, Maryland 21411
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06-12

Changes in Income Tax Law

In the May 2012 Special Session, the Maryland General Assembly passed Senate Bill 1302, which resulted in major changes in the income tax law that may affect the amount of estimated tax payments taxpayers should pay for tax years beginning after Dec. 31, 2011. For more details on these changes, visit the Comptroller's website: www.marylandtaxes.com

Rate Brackets: The State of Maryland is changing the income tax rates and income tax rate brackets for individuals for all tax years beginning after Dec. 31, 2011.

For taxpayers Filing Jointly, Surviving Spouse, or Head of Household		For all other individual taxpayers (including fiduciaries)	
<u>Taxable Income</u>	<u>Tax Rate</u>	<u>Taxable Income</u>	<u>Tax Rate</u>
\$1 - \$1,000	2 percent	\$1 through \$1,000	2 percent
\$1,001 - \$2,000	3 percent	\$1,001 - \$2,000	3 percent
\$2,001 - \$3,000	4 percent	\$2,001 - \$3,000	4 percent
\$3,001 - \$150,000	4.75 percent	\$3,001 - \$100,000	4.75 percent
\$150,001 - \$175,000	5 percent	\$100,001 - \$125,000	5 percent
\$175,001 - \$225,000	5.25 percent	\$125,001 - \$150,000	5.25 percent
\$225,001 - \$300,000	5.5 percent	\$150,001 - \$250,000	5.5 percent
In excess of \$300,000	5.75 percent	Over \$250,000	5.75 percent

Changes in Exemption Amounts: The statute was amended to change the personal exemption amount. For taxpayers with a federal adjusted gross income of up to \$100,000 (up to \$150,000 if filing jointly), the exemption amount remains at \$3,200. An additional exemption of \$3,200 may be claimed for each dependent who is at least 65 years of age on the last day of the tax year. For taxpayers with higher incomes, the exemption amount is limited as follows:

Taxpayers Filing Jointly, Surviving Spouse, Head of Household Returns		All Others (Excluding Dependent Taxpayers)	
<u>Federal Adjusted Gross Income</u>	<u>Exemption Amount</u>	<u>Federal Adjusted Gross Income</u>	<u>Exemption Amount</u>
\$150,001 - \$175,000	\$1,600	\$100,001 - \$125,000	\$1,600
\$175,001 - \$200,000	\$800	\$125,001 - \$150,000	\$800
In excess of \$200,000	\$0	In excess of \$150,000	\$0

The additional exemption for the taxpayer being at least 65 or for being blind remains at \$1,000.

Gambling Winnings: Beginning Jan. 1, 2012 a payor shall withhold 8.75% on a resident's winnings derived from wagering. 7% withholding is required on a nonresident's winnings.

The withholding amount is determined for a resident by applying 3% to the highest marginal tax rate. For a nonresident it is determined by applying the lowest county rate in effect for the tax year (1.25%) to the highest marginal rate.

Change in Tax Rate for Nonresident Sales of Property within Maryland: Effective Jan. 1, 2012, the nonresident individual tax rate is 7% on a sale or transfer of real property and associated tangible personal property within Maryland. A nonresident entity rate remains at the 8.25% rate.

Additional Safe Harbor for the Calculation of Underpayment of Estimated Income Tax for Tax Year 2012: Taxpayers are not liable for interest on the underpayment of estimated tax, which is attributable to the increase of the tax rate under this Act.

For the deaf and hard of hearing: TTY users can call via Maryland Relay at 711 in Maryland. If you need reasonable accommodations for a disability, please contact us before you visit. If you need the information in the publication in an alternate format, contact the Comptroller's Office.

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