

SENATE BILL 622

Q7, Q3, Q4

4lr2225

By: **Senator Carter**

Introduced and read first time: January 26, 2024

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Community Reinvestment and Repair Fund – Funding**
3 **(Maryland Reparations Act of 2024)**

4 FOR the purpose of requiring that a certain amount of revenue from the State individual
5 income tax and Maryland estate tax be distributed to the Community Reinvestment
6 and Repair Fund; altering the rates and rate brackets under the State income tax on
7 certain income of individuals; providing for an additional State individual income
8 tax rate on the net capital gains of individuals; altering a certain limit on the unified
9 credit used for determining the Maryland estate tax for decedents dying on or after
10 a certain date; altering a certain limitation on the amount of the Maryland estate
11 tax for decedents dying on or after a certain date; altering the rate of the sales and
12 use tax for cannabis; and generally relating to the funding of the Community
13 Reinvestment and Repair Fund.

14 BY repealing and reenacting, without amendments,
15 Article – Alcoholic Beverages and Cannabis
16 Section 1–322(a)(1)
17 Annotated Code of Maryland
18 (2016 Volume and 2023 Supplement)

19 BY repealing and reenacting, with amendments,
20 Article – Alcoholic Beverages and Cannabis
21 Section 1–322(a)(5)
22 Annotated Code of Maryland
23 (2016 Volume and 2023 Supplement)

24 BY adding to
25 Article – Tax – General
26 Section 2–605.3
27 Annotated Code of Maryland
28 (2022 Replacement Volume and 2023 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



BY repealing and reenacting, with amendments,
Article – Tax – General
Section 2–801, 7–309(b)(3), 10–105(a), and 11–104(k)
Annotated Code of Maryland
(2022 Replacement Volume and 2023 Supplement)

BY repealing and reenacting, without amendments,
Article – Tax – General
Section 7–309(a) and (b)(1), (2), and (9)
Annotated Code of Maryland
(2022 Replacement Volume and 2023 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
That the Laws of Maryland read as follows:

Article – Alcoholic Beverages and Cannabis

1–322.

(a) (1) There is a Community Reinvestment and Repair Fund.

(5) The Fund consists of:

**(I) INCOME TAX REVENUE DISTRIBUTED TO THE FUND UNDER
§ 2–605.3 OF THE TAX – GENERAL ARTICLE;**

**(II) MARYLAND ESTATE TAX REVENUE DISTRIBUTED TO THE
FUND UNDER § 2–801(A) OF THE TAX – GENERAL ARTICLE;**

[(i)] (III) sales and use tax revenue distributed to the Fund under §
2–1302.2 of the Tax – General Article;

[(ii)] (IV) conversion fees paid by businesses under § 36–403 of this
article; and

[(iii)] (V) any other money from any other source accepted for the
benefit of the Fund, in accordance with any conditions adopted by the Comptroller for the
acceptance of donations or gifts to the Fund.

Article – Tax – General

2–605.3.

**(A) THE COMPTROLLER SHALL ESTIMATE THE ADDITIONAL INCOME TAX
REVENUE THAT IS ATTRIBUTABLE TO THE ALTERATION OF THE INCOME TAX RATES**

1 AND BRACKETS UNDER § 10-105(A)(1) AND (2) OF THIS ARTICLE AS ENACTED BY
2 CHAPTER ____ (S.B. 622) OF THE ACTS OF THE GENERAL ASSEMBLY OF 2024.

3 (B) AFTER MAKING THE DISTRIBUTIONS REQUIRED UNDER §§ 2-604 AND
4 2-605 OF THIS SUBTITLE, ON OR BEFORE JUNE 30 EACH YEAR THE COMPTROLLER
5 SHALL DISTRIBUTE TO THE COMMUNITY REINVESTMENT AND REPAIR FUND
6 ESTABLISHED UNDER § 1-322 OF THE ALCOHOLIC BEVERAGES AND CANNABIS
7 ARTICLE:

8 (1) THE AMOUNT ESTIMATED UNDER SUBSECTION (A) OF THIS
9 SECTION; AND

10 (2) THE AMOUNT ATTRIBUTABLE TO THE ADDITIONAL INCOME TAX
11 IMPOSED ON NET CAPITAL GAINS UNDER § 10-105(A)(3)(II) OF THIS ARTICLE.

12 2-801.

13 (A) THE COMPTROLLER SHALL:

14 (1) ESTIMATE THE INCREASE IN MARYLAND ESTATE TAX REVENUE
15 THAT IS ATTRIBUTABLE TO THE REDUCTION IN THE UNIFIED CREDIT ENACTED BY
16 CHAPTER ____ (S.B. 622) OF THE ACTS OF THE GENERAL ASSEMBLY OF 2024; AND

17 (2) ON OR BEFORE JUNE 30 EACH YEAR DISTRIBUTE THE AMOUNT
18 ESTIMATED UNDER ITEM (1) OF THIS SUBSECTION TO THE COMMUNITY
19 REINVESTMENT AND REPAIR FUND ESTABLISHED UNDER § 1-322 OF THE
20 ALCOHOLIC BEVERAGES AND CANNABIS ARTICLE.

21 (B) [The] AFTER MAKING THE DISTRIBUTION REQUIRED UNDER
22 SUBSECTION (A) OF THIS SECTION, THE Comptroller shall distribute the REMAINING
23 Maryland estate tax revenue to the General Fund of the State.

24 7-309.

25 (a) Notwithstanding an Act of Congress that repeals or reduces the federal credit
26 under § 2011 of the Internal Revenue Code, the provisions of this subtitle in effect before
27 the passage of the Act of Congress shall apply with respect to a decedent who dies after the
28 effective date of the Act of Congress so as to continue the Maryland estate tax in force
29 without reduction in the same manner as if the federal credit had not been repealed or
30 reduced.

31 (b) (1) Except as provided in paragraphs (2) through (9) of this subsection and
32 subsection (c) of this section, after the effective date of an Act of Congress described in
33 subsection (a) of this section, the Maryland estate tax shall be determined using:

(i) the federal credit allowable by § 2011 of the Internal Revenue Code as in effect before the reduction or repeal of the federal credit pursuant to the Act of Congress; and

(ii) other provisions of federal estate tax law as in effect on the date of the decedent's death.

(2) Except as provided in paragraphs (3) through (9) of this subsection and subsection (c) of this section, if the federal estate tax is not in effect on the date of the decedent's death, the Maryland estate tax shall be determined using:

(i) the federal credit allowable by § 2011 of the Internal Revenue Code as in effect before the reduction or repeal of the federal credit pursuant to the Act of Congress; and

(ii) other provisions of federal estate tax law as in effect on the date immediately preceding the effective date of the repeal of the federal estate tax.

(3) (i) Notwithstanding any increase in the unified credit allowed against the federal estate tax for decedents dying after 2003, the unified credit used for determining the Maryland estate tax for a decedent may not exceed the applicable credit amount corresponding to an applicable exclusion amount, within the meaning of § 2010(c) of the Internal Revenue Code, of:

1. \$1,000,000 for a decedent dying before January 1, 2015;

2. \$1,500,000 for a decedent dying on or after January 1, 2015, but before January 1, 2016;

3. \$2,000,000 for a decedent dying on or after January 1, 2016, but before January 1, 2017;

4. \$3,000,000 for a decedent dying on or after January 1, 2017, but before January 1, 2018;

5. \$4,000,000 for a decedent dying on or after January 1, 2018, but before January 1, 2019; [and]

6. \$5,000,000 for a decedent dying on or after January 1, 2019, **BUT BEFORE JULY 1, 2024**, plus any deceased spousal unused exclusion amount calculated in accordance with paragraph (9) of this subsection; **AND**

7. \$1,000,000 FOR A DECEDENT DYING ON OR AFTER JULY 1, 2024, PLUS ANY DECEASED SPOUSAL UNUSED EXCLUSION AMOUNT CALCULATED IN ACCORDANCE WITH PARAGRAPH (9) OF THIS SUBSECTION.

(ii) The Maryland estate tax shall be determined without regard to any deduction for State death taxes allowed under § 2058 of the Internal Revenue Code.

(iii) Unless the federal credit allowable by § 2011 of the Internal Revenue Code is in effect on the date of the decedent's death, the federal credit used to determine the Maryland estate tax may not exceed 16% of the amount by which the decedent's taxable estate, as defined in § 2051 of the Internal Revenue Code, exceeds:

1. \$1,000,000 for a decedent dying before January 1, 2015;

2. \$1,500,000 for a decedent dying on or after January 1, 2015, but before January 1, 2016;

3. \$2,000,000 for a decedent dying on or after January 1, 2016, but before January 1, 2017;

4. \$3,000,000 for a decedent dying on or after January 1, 2017, but before January 1, 2018;

5. \$4,000,000 for a decedent dying on or after January 1, 2018, but before January 1, 2019; [and]

6. \$5,000,000 for a decedent dying on or after January 1, 2019, **BUT BEFORE JULY 1, 2024**, plus any deceased spousal unused exclusion amount calculated in accordance with paragraph (9) of this subsection; **AND**

7. \$1,000,000 FOR A DECEDENT DYING ON OR AFTER JULY 1, 2024, PLUS ANY DECEASED SPOUSAL UNUSED EXCLUSION AMOUNT CALCULATED IN ACCORDANCE WITH PARAGRAPH (9) OF THIS SUBSECTION.

(9) (i) In this paragraph, "deceased spousal unused exclusion amount" means the applicable exclusion amount in effect at the time of the death of the last predeceased spouse of the decedent under paragraph (3) of this subsection reduced by the taxable estate of the last predeceased spouse:

1. as reported on a Maryland estate tax return filed with the Comptroller; or

2. as reported on a federal estate tax return, if:

A. the last predeceased spouse was not a Maryland resident and no property with a Maryland estate tax situs was includible in the gross estate of the last predeceased spouse; or

B. the last predeceased spouse died before January 1, 2019, and no Maryland estate tax return was required to be filed with respect to the predeceased

spouse's estate.

(ii) The deceased spousal unused exclusion amount may not be taken into account under paragraph (3) of this subsection unless:

1. if the last predeceased spouse died on or after January 1, 2019, a Maryland estate tax return is timely filed for the last predeceased spouse, on which the deceased spousal unused exclusion amount is calculated and an irrevocable election is made that the deceased spousal unused exclusion amount may be taken into account; or

2. if the last predeceased spouse died before January 1, 2019, or was not a Maryland resident and no property with a Maryland estate tax situs was includible in the gross estate of the last predeceased spouse, an election was made under § 2010(c) of the Internal Revenue Code on the federal estate tax return of the last predeceased spouse.

(iii) 1. Notwithstanding any other provision of this article, the Comptroller may examine a Maryland estate tax return of a predeceased spouse after the time for assessing a tax under this title has expired under § 13–1101 of this article solely for the purposes of determining the validity of the deceased spousal unused exclusion election and the amount to be taken into account under paragraph (3) of this subsection.

2. This subparagraph may not be construed to authorize the assessment of any additional tax with respect to the predeceased spouse's Maryland estate tax return if the period of limitation under § 13–1101 of this article has expired.

10–105.

(a) (1) For an individual other than an individual described in paragraph (2) of this subsection, the State income tax rate is:

(i) ~~[2%]~~ **3%** of Maryland taxable income of \$1 through ~~[\$1,000]~~ **\$3,000**;

(ii) ~~[3%]~~ **3.5%** of Maryland taxable income of ~~[\$1,001]~~ **\$3,001** through ~~[\$2,000]~~ **\$6,000**;

(iii) 4% of Maryland taxable income of ~~[\$2,001]~~ **\$6,001** through ~~[\$3,000]~~ **\$12,000**;

(iv) ~~[4.75%]~~ **4.5%** of Maryland taxable income of ~~[\$3,001]~~ **\$12,001** through ~~[\$100,000]~~ **\$24,000**;

(v) 5% of Maryland taxable income of ~~[\$100,001]~~ **\$24,001** through ~~[\$125,000]~~ **\$48,000**;

(vi) [5.25%] **5.5%** of Maryland taxable income of [\$125,001] **\$48,001** through [\$150,000] **\$96,000**;

(vii) [5.5%] **5.75%** of Maryland taxable income of [\$150,001] **\$96,001** through [\$250,000] **\$192,000**; [and]

(viii) [5.75%] **6.5%** of Maryland taxable income [in excess of \$250,000] **OF \$192,001 THROUGH \$1,000,000**; AND

(IX) 7% OF MARYLAND TAXABLE INCOME IN EXCESS OF \$1,000,000.

(2) For spouses filing a joint return or for a surviving spouse or head of household as defined in § 2 of the Internal Revenue Code, the State income tax rate is:

(i) [2%] **3%** of Maryland taxable income of \$1 through [\$1,000] **\$4,500**;

(ii) [3%] **3.5%** of Maryland taxable income of [\$1,001] **\$4,501** through [\$2,000] **\$9,000**;

(iii) 4% of Maryland taxable income of [\$2,001] **\$9,001** through [\$3,000] **\$18,000**;

(iv) [4.75%] **4.5%** of Maryland taxable income of [\$3,001] **\$18,001** through [\$150,000] **\$36,000**;

(v) 5% of Maryland taxable income of [\$150,001] **\$36,001** through [\$175,000] **\$72,000**;

(vi) [5.25%] **5.5%** of Maryland taxable income of [\$175,001] **\$72,001** through [\$225,000] **\$144,000**;

(vii) [5.5%] **6%** of Maryland taxable income of [\$225,001] **\$144,001** through [\$300,000] **\$288,000**; [and]

(viii) [5.75%] **6.5%** of Maryland taxable income [in excess of \$300,000] **OF \$288,001 THROUGH \$1,000,000**; AND

(IX) 7% OF MARYLAND TAXABLE INCOME IN EXCESS OF \$1,000,000.

(3) IF THE MARYLAND TAXABLE INCOME OF AN INDIVIDUAL DESCRIBED IN PARAGRAPH (1) OR (2) OF THIS SUBSECTION INCLUDES ANY AMOUNT

1 OF NET CAPITAL GAIN, AS DEFINED AND DETERMINED UNDER THE INTERNAL
2 REVENUE CODE, THE STATE INCOME TAX FOR THE INDIVIDUAL IS THE SUM OF:

3 (I) THE RATES SPECIFIED IN PARAGRAPH (1) OR (2) OF THIS
4 SUBSECTION APPLIED TO MARYLAND TAXABLE INCOME; AND

5 (II) AN ADDITIONAL 1% OF THE AMOUNT OF NET CAPITAL GAIN
6 INCLUDED IN THE INDIVIDUAL'S MARYLAND TAXABLE INCOME.

7 11–104.

8 (k) The sales and use tax rate for cannabis, as defined in § 1–101 of the Alcoholic
9 Beverages and Cannabis Article is[.]:

10 (1) for fiscal year 2024 [and each fiscal year thereafter], 9%; AND

11 (2) FOR FISCAL YEAR 2025 AND EACH FISCAL YEAR THEREAFTER,
12 14%.

13 SECTION 2. AND BE IT FURTHER ENACTED, That § 10–105(a) of the
14 Tax – General Article, as enacted by Section 1 of this Act, shall be applicable to all taxable
15 years beginning after December 31, 2023.

16 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect July
17 1, 2024.