



Title: Title I, Payroll/Personnel Manual

Chapter: 28, Section 2, Tax Formulas (TAXES)

Bulletin: TAXES 04-8, Maryland State and County Income Tax Withholding

Date: April 22, 2004

To: Holders of TAXES (State of Maryland only)
Personnel User Groups
T&A Contact Points in Maryland

Beginning with wages paid for Pay Period 8, the National Finance Center (NFC) will change the withholding table to a flat rate of 4.75 percent instead of graduated rates for Maryland state income tax withholdings.

In addition to the Maryland state tax withholding change, the withholding rate for the following counties in the state of Maryland will also change in Pay Period 8.

Allegany County will decrease from 2.96 percent to 2.93 percent.

Anne Arundel County will decrease from 2.60 percent to 2.56 percent.

Baltimore City County will decrease from 3.10 percent to 3.05 percent.

Baltimore County will decrease from 2.85 percent to 2.83 percent.

Calvert County will increase from 2.60 percent to 2.80 percent.

Caroline County will decrease from 2.65 percent to 2.63 percent.

Carroll County will increase from 2.85 percent to 3.05 percent.

Cecil County will decrease from 2.85 percent to 2.80 percent.

Charles County will decrease from 2.96 percent to 2.90 percent.

Dorchester County will decrease from 2.65 percent to 2.62 percent.

Harford County will decrease from 3.10 percent to 3.06 percent.

Howard County will increase from 2.45 percent to 3.20 percent.

Kent County will decrease from 2.60 percent to 2.58 percent.

Montgomery County will increase from 2.96 percent to 3.20 percent.

Prince George's County will increase from 3.10 percent to 3.20 percent.

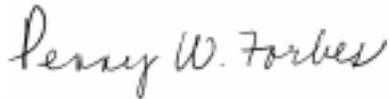
Talbot County will increase from 1.79 percent to 2.25 percent.

Washington County will decrease from 2.85 percent to 2.80 percent.

No action on the part of the employee or the personnel office is necessary.

To view the updated tax formula, go to NFC's home page (www.nfc.usda.gov) and click **Pubs & Forms**. Then on the Pubs & Forms page left-hand menu, click **Tax Formulas** and select the appropriate state from the map provided. Changes to the tax formula are identified by "▶◀".

For questions about NFC's processing, contact the Payroll Operations Branch at **504-255-4630** . Please refer questions about system access and other system-related issues to Customer Support at **504-255-5230** or via e-mail at customer.support@usda.gov.



PENNY W. FORBES, Acting Director
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Maryland State Income Tax Information

State Abbreviation:	MD
State Tax Withholding State Code:	24
Acceptable Exemption Form:	MW 507
Basis For Withholding:	State Exemptions
Acceptable Exemption Data:	0/Number of Exemptions
TSP Deferred:	Yes
Special Coding:	Determine the Total Number Of Allowances field as follows: First Position - Enter 0 (zero). Second and Third Positions - Enter the number of exemptions claimed.

Additional Information: The Maryland state income tax formula contains a computation for Maryland county tax. Residents of the state of Maryland are required to pay the appropriate county tax in addition to the state income tax. Nonresidents of Maryland pay only the state income tax. Refer to the withholding formula for information on the individual county rates.

Withholding Formula ►(Effective Pay Period 8, 2004)◄

1. Subtract the nontaxable biweekly Thrift Savings Plan contribution from the gross biweekly wages.
2. Subtract the nontaxable biweekly Federal Health Benefits Plan payment from the amount computed in step 1.
3. Add the taxable biweekly fringe benefits (taxable life insurance, etc.) to the amount computed in step 2 to obtain the adjusted gross biweekly wages.
4. Multiply the adjusted gross biweekly wages times 26 to obtain the gross annual wages.¹

¹ If gross annual wages are less than \$5,000, taxes will not be withheld.

5. Determine the standard deduction by applying the following guideline and subtract this amount from the gross annual wages computed in step 4.

Standard Deduction² = 15 percent x Annual Wages

² Minimum of \$1,500/Maximum of \$2,000

6. Determine the dependent allowance by applying the following guideline and subtract this amount from the result of step 5 to determine the taxable income.

Exemption Allowance = \$2,400 x Number of Exemptions

7. ►Multiply the taxable income computed in step 6 times 4.75 percent to determine the annual Maryland state tax withholding.◄
8. Divide the result of step 7 by 26 to obtain the biweekly Maryland state tax. **Residents** of Maryland are to proceed to step 9 to compute Maryland county tax.

9. If the employee is a resident of the state of Maryland, compute the annual county tax withholding as follows:

- a. Repeat steps 1 through 5.
- b. Determine the dependent allowance by applying the following guideline and subtract this amount from the result of step 9a to determine the taxable county income.

$$\text{Exemption Allowance} = \$2,400 \times \text{Number of Exemptions}$$

- c. Apply the taxable income computed in 9b to the following guideline to determine the appropriate county income tax:

Compute the Annual Income Tax Withholding For:

By Multiplying the Annual Taxable Wages By:

Allegany	▶ 2.93%
Anne Arundel	2.56%
Baltimore City	3.05%
Baltimore	2.83%
Calvert	2.80%
Caroline	2.63%
Carroll	3.05%
Cecil	2.80%
Charles	2.90%
Dorchester	2.62% ◀
Frederick	2.96%
Garrett	2.65%
Harford	▶ 3.06%
Howard	3.20%
Kent	2.58%
Montgomery	3.20%
Prince George's	3.20% ◀
Queen Anne's	2.85%
St. Mary's	3.10%
Somerset	3.15%
Talbot	▶ 2.25%
Washington	2.80% ◀
Wicomico	3.10%
Worcester	1.25%

- d. Divide the result of step 9c by 26 to obtain the biweekly Maryland county tax.
- e. Add the results of steps 8 and 9d to determine the resident's biweekly Maryland state and county tax combined withholding.