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TO: All State Agencies

FROM: Dhiren V. Shah, Director
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DATE: January 10, 2021

SUBJECT: 2021 MARYLAND STATE AND LOCAL INCOME TAX WITHHOLDING
INFORMATION

Maryland law provides that the Comptroller prepare a percentage income tax withholding method that shows the percent of State income tax to be withheld from wages. The percentage used is relative to median local tax rates of Maryland's 23 counties and Baltimore City.

Withholding is a combination of the State income tax, which has rates graduated per taxable income, (see chart below) and local taxes. This combined tax appears under the heading of STATE TAX on all payroll documents, including the Employee's Earnings Statement (pay stub) that is attached to all payroll checks and deposit advices.

Taxpayers Filing Joint, Head of Household, or for Qualifying Widows/Widowers			Taxpayers Filing as Single, Married Filing Separately, or as dependent Taxpayers		
Taxable Income		Tax Rate	Taxable Income		Tax Rate
\$1.00	\$1000	2.00 percent	\$1.00	\$1000	2.00 percent
\$1,001	\$ 2,000	3.00 percent	\$1,001	\$2,000	3.00 percent
\$2,001	\$3,000	4.00 percent	\$2,001	\$3,000	4.00 percent
\$3,001	\$150,000	4.75 percent	\$3,001	\$100,000	4.75 percent
\$150,001	\$175,000	5.00 percent	\$100,001	\$125,000	5.00 percent
\$175,001	\$225,000	5.25 percent	\$125,001	\$150,000	5.25 percent
\$225,001	\$300,000	5.50 percent	\$150,001	\$250,000	5.50 percent
In excess of	\$300,000	5.75 percent	In excess of	\$250,000	5.75 percent

Beginning with calendar year 2008, the State of Maryland added a selection to filing status for tax withholding. You can choose Single, Head of Household (married or unmarried), or Married status but withhold at the Single rate on MW507 withholding form. The tax rate is the same for all categories until you reach \$100,000 in yearly income for a single filer. Employees expecting to make more than \$100,000 in 2021 and who can file as Married or Head of Household should ensure a proper MW507 form is in place for Maryland taxes.

The county of residence, which determines the rate of the local withholding portion is the county submitted on the Form MW507. The two-position alphabetic code in the box “County Code” on the Employee’s Earnings Statement (pay stub) is the county recorded in the individual’s pay record. Employees that do not submit a withholding certificate are defaulted to the highest rate of local tax, which for the year 2021 will be 3.20%.

For most employees who are not residents of Maryland the Nonresident rate (7.0%) is used, which includes no local tax; but does include the Special 2.25% Nonresident rate.

Employees may be eligible to claim an EITC on their 2020 federal and Maryland income tax returns if both their federal adjusted gross income and their earned income is less than the following:

- \$50,954 (\$56,844 married filing jointly) with three or more qualifying children
- \$47,440 (\$53,330 married filing jointly) with two qualifying children
- \$41,756 (\$47,646 married filing jointly) with one qualifying child
- \$15,820 (\$21,710 married filing jointly) with no qualifying children

Employees who meet this income eligibility should be advised to go to the Internal Revenue Service website at www.irs.gov, or contact their tax advisor, to see if they meet the other federal criteria. Employees who meet all of the federal requirements may be eligible for a Maryland credit up to one- half of the federal EITC, but not greater than the state income tax. Additionally, certain employees may also qualify for a refundable Maryland credit, or a local EITC.

All employees should be notified of these eligibility standards. **It is mandatory that employees with wages less than or equal to the amounts shown above be informed.** A notification flyer is included which should be distributed to employees and also posted with other personnel regulation information within your agency.

For further Maryland EITC information, visit our website at www.marylandtaxes.gov, or call 1-800-MD-TAXES (1-800-638-2937), or 410-260-7980 from Central Maryland.

Three attachments accompany this memorandum, the first is the local tax rate used by the Central Payroll Bureau to compute the local portion of the combined state tax. The second attachment provides a translation of the alpha code that appears in the County code box that is printed on the pay stub. Third is the EITC notification flyer.

Note:

1. Individual tax calculations and estimates can be readily determined by using the Central Payroll Bureau, Net Pay Calculator located with the following link:

<https://www.marylandtaxes.gov/statepayroll/online-services.php>

Click on left tab labeled “Net Pay Calculator”

2. Federal Income Tax Withholding Information may also be found on our Web site, by:
Clicking on - “Payroll Officers, then Current Memos”
Look for “2021 Federal Income Tax Withholding Information”

Attachment 1
Local Income Tax Withholding Rates for 2021

City or County Of Residence	County Code	Local Income Tax Withholding Rate (percentage of MD Taxable Wage)
Worcester County	24	2.25
Talbot County	21	2.40
Garrett County	12	2.65
Anne Arundel County	02	2.85
Calvert County	05	
Cecil County	08	
Frederick County	11	3.00
Allegany County	01	
Carroll County	07	
Charles County	09	3.05
Harford County	13	3.10
Caroline County	06	
Dorchester County	10	
Baltimore County	03	
Baltimore City	04	
Howard County	14	
Kent County	15	
Montgomery County	16	
Prince George's County	17	
Queen Anne's County	18	
Somerset County	20	
St. Mary's County	19	
Washington County	22	
Wicomico County	23	
Unknown Maryland County	**	3.20
Out of State	25-76	2.25

This table is a display of all possible Local Income Tax Withholding Rates effective for payments made on or after January 1, 2021.

****Central Payroll Bureau is required to tax at maximum local rate of 3.20 absent of employee submitted address data on Form W-4.**

Attachment 2

Maryland Employee Earnings Statement-Maryland County Codes

<u>Code</u>	<u>County</u>
AA	Anne Arundel
AL	Allegany
BA	Baltimore
BC	Baltimore City
CE	Cecil
CH	Charles
CL	Caroline
CR	Carroll
CV	Calvert
DR	Dorchester
FR	Frederick
GR	Garrett
HF	Harford
HW	Howard
KT	Kent
MD	Unknown Maryland County
MG	Montgomery
PG	Prince George's
QA	Queen Anne's
SM	Saint Mary's
SO	Somerset
TA	Talbot
WA	Washington
WI	Wicomico
WO	Worcester

Attachment 3

Earned Income Tax Credit (EITC) Eligibility

**IMPORTANT NOTICE TO MARYLAND
EMPLOYEES**

Did you know that federal and Maryland earned income tax credits are available to certain low-income individuals and families?

These credits can reduce the amount of income tax you owe or increase your income tax refund; and, you may qualify to receive some of these credits even if you did not earn enough income to be required to file a tax return.

2020 Maryland Earned Income Tax Credit (EITC)

Maryland's EITC is a credit for certain taxpayers who have income and have worked. The state EITC reduces the amount of Maryland tax you owe. The local EITC reduces the amount of county tax you owe. Some taxpayers may even qualify for a refundable Maryland EITC.

Most taxpayers who are eligible and file for a federal EITC can receive the Maryland state and local EITC. The allowable Maryland credit is up to one-half of the federal credit. To be eligible for the federal and Maryland EITC, your federal adjusted gross income and your earned income must be less than the following:

- \$50,954 (\$56,844 married filing jointly) with three or more qualifying children
- \$47,440 (\$53,330 married filing jointly) with two qualifying children
- \$41,756 (\$47,646 married filing jointly) with one qualifying child
- \$15,820 (\$21,710 married filing jointly) with no qualifying children

Generally, to receive the Maryland EITC, you must be eligible for the federal credit. However, if you do not meet the minimum age requirement under the federal credit and are otherwise eligible for the federal credit for those without a qualifying child, you may claim the state earned income tax credit (calculate federal earned income credit disregarding the minimum age requirement). If your income is less than the amounts shown in this notice, visit the Internal Revenue Service Web site at www.irs.gov, or contact your tax advisor, to learn if you meet the other requirements. You also may be entitled to a refundable Maryland EITC and to a local EITC.

If you are a part-year resident, you may be entitled to a prorated share of the credit, if you have Maryland income. As of 2017, nonresidents are no longer eligible for the Maryland credit.

For more information about the Maryland EITC, visit our Web site at www.marylandtaxes.gov or call 1-800-MD-TAXES (1-800-638-2937) or from Central Maryland 410-260-7980. You must have a valid Social Security number and file a tax return to claim this credit.

Reminder: Legally married same-sex couples must file as married filing jointly or married filing separately for tax year 2020. Employees wishing to adjust their withholding to reflect married status should complete a new Maryland Form MW507, as well as federal Form W-4.

Recordatorio: Parejas del mismo sexo legalmente casadas deberán presentar la declaración de impuestos como casado en conjunto o casado pero realizando la presentación separado para el año tributario 2020. Empleados que deseen ajustar la retención de impuestos con su empleador para reflejar el estado civil como casado, deberán completar una nueva forma de Maryland MW507 así como la forma federal W-4.

2020 Federal Earned Income Tax Credit (EITC)

For more information about the federal EITC,
visit: www.irs.gov/individuals or call the IRS at 1-800-829-1040.