

Office of Comptroller
Treasury Department
34 Hopkins Place
Baltimore 1, Maryland

J. Millard Tamm
Comptroller
Joseph O. C. McCusker
Chief Deputy

March 15, 1951

Hon. Theodore R. McKeldin,
Governor,
State House,
Annapolis, Maryland

Dear Governor McKeldin:

Under date of March 6th you wrote me in connection with a suggestion you had received from Mr. Don Swann, the noted Baltimore artist, concerning the Maryland State Income Tax form. Since receipt of this correspondence, I have made some studies and wish to advise you as to our findings.

It is true that the matter of simplification of the Maryland Income Tax form is one which has given me much concern for several years. In view of the fact that under the Maryland law net income must be segregated into ordinary income and investment income categories so that the two separate rates of tax (2% on ordinary and 5% on investment) can be applied, we find it difficult to simplify the form to a point less than it is at present. Obviously, the form must be constructed so that provision is made for the various features of the law. We see no possibility of eliminating any complexity under the law in its present form.

It is well to point out, also that the sub-divisions under the Sherbow plan of distribution, receive .675% of all ordinary income and 1.625% of all investment income. The segregation of the two types of income must be such that these rates can be applied to produce the share distributable to the sub-division.

The suggestion made by Mr. Swann that our tax be determined from the Federal tax has been considered heretofore. The Federal tax is a graduated tax and it necessarily follows that a percentage of such a tax would likewise be a graduated tax. In other words, a flat percentage of the Federal Tax for the State of Maryland would represent a percentage of a tax that had been developed for Federal purposes from progressive rates of tax on the various brackets of income.

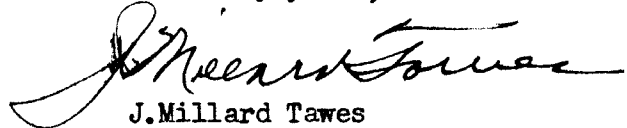
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Hon.Theodore R.McKeldin

In view of the adverse vote upon a proposed amendment to permit a graduated tax for this State (Acts of 1937) the constitutionality of such a tax remains unsettled. Because of this the State has not considered any form of tax that embodied any of the features of a graduated income tax.

It is a pleasure to furnish you with this information which may be passed on to Mr.Swann, and assuring you it is our desire to cooperate at all times, I am

Sincerely yours,



J. Millard Tawes

JMT:jf

Turn the page to read the governor's reply

March 26, 1951

Honorable J. Millard Tawes
Comptroller of the Treasury
34 Hopkins Place
Baltimore-1, Maryland

Dear Millard:

Thank you very much for your letter of March 15th, giving me the benefit of your opinion on the suggestion of Mr. Don Swann with respect to the Maryland State Income Tax form.

I appreciate very much your advices in this matter, and am forwarding Mr. Swann a copy of your letter for his information.

With kindest personal regards, I am,

Sincerely yours,

Governor

TRMcK/o'c