
By: **Delegate Hixson**
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Assigned to: Ways and Means

Committee Report: Favorable
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CHAPTER 515

1 AN ACT concerning

2 **Income Tax Credit for Child and Dependent Care Expenses - Phase-Out**
3 **Correction**

4 FOR the purpose of altering certain income levels above which a certain phase-out of
5 a certain income tax credit allowed for child and dependent care expenses is
6 required; and providing for the application of this Act.

7 BY repealing and reenacting, with amendments,
8 Article - Tax - General
9 Section 10-716
10 Annotated Code of Maryland
11 (1997 Replacement Volume and 2000 Supplement)

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

14 **Article - Tax - General**

15 10-716.

16 (a) (1) In this section the following words have the meanings indicated.

17 (2) "Federal child and dependent care credit" means the child and
18 dependent care credit properly claimed by an individual for the taxable year under §
19 21 of the Internal Revenue Code.

20 (3) "Qualifying individual" means a qualifying individual within the
21 meaning of § 21(b) of the Internal Revenue Code.

1 (b) An individual whose federal adjusted gross income for the taxable year
2 does not exceed \$50,000, or \$25,000 in the case of a married individual filing a
3 separate return, may claim a credit against the State income tax as provided in this
4 section for expenses paid by the individual during the taxable year for the care of a
5 qualifying individual.

6 (c) Subject to subsection (d) of this section, the credit allowed under this
7 section equals the lesser of:

8 (1) 32.5% of the federal child and dependent care credit; or

9 (2) the State income tax for the taxable year.

10 (d) (1) If an individual's federal adjusted gross income for the taxable year
11 exceeds [\$40,000] \$41,000, the credit otherwise allowed under this section shall be
12 reduced by 10% for each \$1,000 or fraction of \$1,000 by which the individual's federal
13 adjusted gross income exceeds [\$40,000] \$41,000.

14 (2) In the case of a married individual filing a separate return, if the
15 individual's federal adjusted gross income for the taxable year exceeds [\$20,000]
16 \$20,500, the credit otherwise allowed under this section shall be reduced by 10% for
17 each \$500 or fraction of \$500 by which the individual's federal adjusted gross income
18 exceeds [\$20,000] \$20,500.

19 (e) The credit allowed under this section does not affect the treatment under
20 this title of any deduction or exclusion allowed under this title or allowed for federal
21 income tax purposes for expenses paid by the individual for the care of a qualifying
22 individual.

23 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
24 July 1, 2001 and shall be applicable to all taxable years beginning after December 31,
25 2000.