

SENATE BILL 166

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Q3

2001 Regular Session  
(11r1046)

**ENROLLED BILL**

-- Budget and Taxation/Ways and Means --

Introduced by **Senators Hoffman, Blount, Bromwell, Currie, DeGrange,  
Dorman, Frosh, Green, Hafer, Hogan, Hollinger, Hooper, Kelley, Lawlah,  
McFadden, Middleton, Munson, Neal Neall, Pinsky, Roesser, Ruben,  
Sfikas, Stoltzfus, Teitelbaum, and Van Hollen**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this  
\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_ M.

\_\_\_\_\_  
President.

CHAPTER 581

1 AN ACT concerning

2 **Income Tax - Earned Income Credit**

3 FOR the purpose of altering the percentage of the federal earned income credit used  
4 for determining the amount that certain individuals may claim as a refundable  
5 credit under certain circumstances; altering the calculation of a refundable  
6 county earned income credit if a county provides a refundable county earned  
7 income credit; requiring the Spending Affordability Committee to include a  
8 certain recommendation in a certain report; providing for the application of this  
9 Act; and generally relating to the earned income credit allowed under the State  
10 income tax.

11 BY repealing and reenacting, with amendments,  
12 Article - Tax - General  
13 Section 10-704

1 Annotated Code of Maryland  
2 (1997 Replacement Volume and 2000 Supplement)

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

5 **Article - Tax - General**

6 10-704.

7 (a) (1) An individual may claim a credit against the State income tax for a  
8 taxable year in the amount determined under subsection (b) of this section for earned  
9 income.

10 (2) An individual may claim a credit against the county income tax for a  
11 taxable year in the amount determined under subsection (c) of this section for earned  
12 income.

13 (b) (1) Except as provided in paragraph (2) of this subsection and subject to  
14 subsection (d) of this section, the credit allowed against the State income tax under  
15 subsection (a)(1) of this section is the lesser of:

16 (i) 50% of the earned income credit allowable for the taxable year  
17 under § 32 of the Internal Revenue Code; or

18 (ii) the State income tax for the taxable year.

19 (2) (I) An individual with one or more dependents that may be claimed  
20 as exemptions may claim a refund in the amount, if any, by which [15%] ~~20%~~ THE  
21 APPLICABLE PERCENTAGE SPECIFIED IN SUBPARAGRAPH (II) OF THIS PARAGRAPH of  
22 the earned income credit allowable under § 32 of the Internal Revenue Code exceeds  
23 the State income tax for the taxable year.

24 (II) THE APPLICABLE PERCENTAGE OF THE EARNED INCOME  
25 CREDIT ALLOWABLE UNDER § 32 OF THE INTERNAL REVENUE CODE TO BE USED FOR  
26 PURPOSES OF DETERMINING THE REFUND PROVIDED UNDER THIS PARAGRAPH IS:

27 1. 16% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER  
28 31, 2000 BUT BEFORE JANUARY 1, 2002;

29 2. ~~17%~~ 16% FOR A TAXABLE YEAR BEGINNING AFTER  
30 DECEMBER 31, 2001 BUT BEFORE JANUARY 1, 2003;

31 3. 18% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER  
32 31, 2002 BUT BEFORE JANUARY 1, 2004; AND

33 4. ~~19%~~ FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER  
34 31, 2003 BUT BEFORE JANUARY 1, 2005; AND



1                   (~~iv~~)    (V)    The amount of any refunds payable under a refundable  
2 county earned income credit operates to reduce the income tax revenue from  
3 individuals attributable to the county income tax for that county.

4       (d)       For an individual who is a nonresident or is a resident of the State for only  
5 a part of the year, the amount of the credit or refund allowed under this section shall  
6 be determined based on the part of the earned income credit allowable for the taxable  
7 year under § 32 of the Internal Revenue Code that is attributable to Maryland,  
8 determined by multiplying the federal earned income credit by a fraction:

9                   (1)       the numerator of which is the Maryland adjusted gross income of the  
10 individual; and

11                  (2)       the denominator of which is the federal adjusted gross income of the  
12 individual.

13       SECTION 2. AND BE IT FURTHER ENACTED, That the Spending  
14 Affordability Committee shall include a recommendation in its final report of the  
15 2002 interim as to the fiscal prudence of accelerating the phased-in increase of the  
16 earned income credit refund enacted under this Act.

17       ~~SECTION 3.~~ AND BE IT FURTHER ENACTED, That this Act shall take  
18 effect July 1, 2001 and shall be applicable to all taxable years beginning after  
19 December 31, 2000.