HB 979

Department of Legislative Services

Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 979 (Delegate Hixson)
Ways and Means Budget and Taxation

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

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This bill increases from $40,000 to $41,000 ($20,000 to $20,500 for married individuals filing separate returns) the income level above which a phase-out is required for the State Child and Dependent Care income tax credit.

The bill takes effect July 1, 2001 and applies to all taxable years beginning after December 31, 2000.

Fiscal Summary

State Effect: Minimal general fund revenue decrease beginning in FY 2002. The bill is only expected to apply to a limited number of taxpayers.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The State provides an income tax credit for child and dependent care expenses equal to 32.5% of the federal child and dependent care credit. The maximum income to be eligible for the credit is $50,000 ($25,000 for a married individual filing a separate return).

If an individual's federal adjusted gross income for the taxable year exceeds $40,000, the Child and Dependent Care Credit is reduced by 10% for each $1,000 or fraction of

$1,000 by which the individual's federal adjusted gross income exceeds $40,000. For a married individual filing a separate return, if the individual's federal adjusted gross income for the taxable year exceeds $20,000, the credit is reduced by 10% for each $500 or fraction of $500 by which the individual's federal adjusted gross income exceeds $20,000.

State Fiscal Effect: Under the current law phase-out formula, taxpayers with federal adjusted gross income between $49,001 and $50,000 ($24,001 and $25,000 for married filing separately) would not be eligible for the Child and Dependent Care credit, even though the maximum income eligibility is $50,000 ($25,000 for married filing separately).

The bill is expected to result in a minimal general fund revenue decrease as it is expected to affect only a limited number of taxpayers.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller of the Treasury (Bureau of Revenue Estimates), Department of Legislative Services

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