

HOUSE BILL 851

Q3

71r2080

By: **Delegates Kaiser, Barkley, Bobo, Gutierrez, Healey, Hubbard, Lee, Manno, Mizeur, Montgomery, Ross, Shewell, Sophocleus, Sossi, and Walkup**

Introduced and read first time: February 9, 2007

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Earned Income Credit – Amount**

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 credit
5 against the State income tax; and generally relating to the amount an
6 individual may claim as a credit against the State income tax.

7 BY repealing and reenacting, with amendments,
8 Article – Tax – General
9 Section 10–704
10 Annotated Code of Maryland
11 (2004 Replacement Volume and 2006 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 10–704.

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

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

7 (i) [50%] **55%** of the earned income credit allowable for the
8 taxable year under § 32 of the Internal Revenue Code **FOR A TAXABLE YEAR**
9 **BEGINNING AFTER DECEMBER 31, 2006, BUT BEFORE JANUARY 1, 2008; [or]**

10 (ii) **60% OF THE EARNED INCOME CREDIT ALLOWABLE FOR**
11 **THE TAXABLE YEAR UNDER § 32 OF THE INTERNAL REVENUE CODE FOR A**
12 **TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2007, BUT BEFORE**
13 **JANUARY 1, 2009;**

14 (iii) **65% OF THE EARNED INCOME CREDIT ALLOWABLE FOR**
15 **THE TAXABLE YEAR UNDER § 32 OF THE INTERNAL REVENUE CODE FOR A**
16 **TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2008, BUT BEFORE**
17 **JANUARY 1, 2010;**

18 (iv) **70% OF THE EARNED INCOME CREDIT ALLOWABLE FOR**
19 **THE TAXABLE YEAR UNDER § 32 OF THE INTERNAL REVENUE CODE FOR A**
20 **TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2009, BUT BEFORE**
21 **JANUARY 1, 2011;**

22 (v) **75% OF THE EARNED INCOME CREDIT ALLOWABLE FOR**
23 **THE TAXABLE YEAR UNDER § 32 OF THE INTERNAL REVENUE CODE FOR A**
24 **TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2010, BUT BEFORE**
25 **JANUARY 1, 2012; OR**

26 [(ii)] (vi) the State income tax for the taxable year.

27 (2) (i) An individual with one or more dependents that may be
28 claimed as exemptions may claim a refund in the amount, if any, by which the
29 applicable percentage specified in subparagraph (ii) of this paragraph of the earned
30 income credit allowable under § 32 of the Internal Revenue Code exceeds the State
31 income tax for the taxable year.

1 (ii) The applicable percentage of the earned income credit
2 allowable under § 32 of the Internal Revenue Code to be used for purposes of
3 determining the refund provided under this paragraph is:

4 1. 16% for a taxable year beginning after December 31,
5 2000 but before January 1, 2002;

6 2. 16% for a taxable year beginning after December 31,
7 2001 but before January 1, 2003;

8 3. 18% for a taxable year beginning after December 31,
9 2002 but before January 1, 2004; and

10 4. 20% for a taxable year beginning after December 31,
11 2003.

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

15 (i) the earned income credit allowable for the taxable year
16 under § 32 of the Internal Revenue Code multiplied by 10 times the county income tax
17 rate for the taxable year; or

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

19 (2) (i) A county may provide, by law, for a refundable county
20 earned income credit as provided in this paragraph for individuals having one or more
21 dependents that may be claimed as exemptions.

22 (ii) If a county provides for a refundable county earned income
23 credit under this paragraph, on or before July 1 prior to the beginning of the first
24 taxable year for which it is applicable, the county shall give the Comptroller notice of
25 the refundable county earned income credit.

26 (iii) If a county provides for a refundable county earned income
27 credit under this paragraph, an individual with one or more dependents that may be
28 claimed as exemptions may claim a refund of the amount, if any, by which the product
29 of multiplying the credit allowable under § 32 of the Internal Revenue Code by the
30 applicable number specified in subparagraph (iv) of this paragraph times the county
31 income tax rate for the taxable year exceeds the county income tax for the taxable
32 year.

1 (iv) The applicable number to be multiplied by the county
2 income tax rate for purposes of determining a refund provided under this paragraph
3 is:

4 1. 3.2 for a taxable year beginning after December 31,
5 2000 but before January 1, 2002;

6 2. 3.2 for a taxable year beginning after December 31,
7 2001 but before January 1, 2003;

8 3. 3.6 for a taxable year beginning after December 31,
9 2002 but before January 1, 2004; and

10 4. 4 for a taxable year beginning after December 31,
11 2003.

12 (v) The amount of any refunds payable under a refundable
13 county earned income credit operates to reduce the income tax revenue from
14 individuals attributable to the county income tax for that county.

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

20 (1) the numerator of which is the Maryland adjusted gross income of
21 the individual; and

22 (2) the denominator of which is the federal adjusted gross income of
23 the individual.

24 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
25 July 1, 2007, and shall be applicable to all taxable years beginning after December 31,
26 2006.