

# HOUSE BILL 1047

Q3

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CF SB 294

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By: **Delegates Hixson, Lierman, Platt, Turner, Walker, A. Washington, and M. Washington**

Introduced and read first time: February 11, 2016

Assigned to: Ways and Means

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## A BILL ENTITLED

1 AN ACT concerning

2 **Earned Income Tax Credit – Expansion**

3 FOR the purpose of altering the percentage of the federal earned income credit used for  
4 determining the amount that certain individuals may claim as a refund under the  
5 Maryland earned income credit under certain circumstances; altering the calculation  
6 of the Maryland earned income tax credit to increase the amount of credit that  
7 certain individuals without qualifying children may claim; expanding eligibility of  
8 the credit to allow certain individuals without certain qualifying children to claim  
9 the credit; allowing certain individuals to claim a refund of the credit; allowing an  
10 individual to claim the credit without regard to a certain age limitation; providing  
11 that the amount of the credit is adjusted for inflation each year; providing for the  
12 application of this Act; and generally relating to the Maryland earned income tax  
13 credit.

14 BY repealing and reenacting, with amendments,  
15 Article – Tax – General  
16 Section 10–704  
17 Annotated Code of Maryland  
18 (2010 Replacement Volume and 2015 Supplement)

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

21 **Article – Tax – General**

22 10–704.

23 (a) (1) A resident may claim a credit against the State income tax for a taxable  
24 year in the amount determined under subsection (b) of this section for earned income.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.





1           **A. \$6,580 FOR THE EARNED INCOME AMOUNT IN**  
2 **§ 32(B)(2)(A) OF THE INTERNAL REVENUE CODE; AND**

3           **B. \$16,960 FOR THE PHASE-OUT AMOUNT IN**  
4 **§ 32(B)(2)(A) OF THE INTERNAL REVENUE CODE.**

5           **(II) IF THE TAX CREDIT ALLOWED UNDER THIS PARAGRAPH IN**  
6 **ANY TAXABLE YEAR EXCEEDS THE TOTAL TAX OTHERWISE PAYABLE BY THE**  
7 **INDIVIDUAL WITHOUT A QUALIFYING CHILD FOR THAT TAXABLE YEAR, THE**  
8 **INDIVIDUAL MAY CLAIM A REFUND IN THE AMOUNT OF THE EXCESS.**

9           **(III) 1. FOR EACH TAXABLE YEAR BEGINNING AFTER**  
10 **DECEMBER 31, 2016, THE EARNED INCOME AMOUNT AND PHASE-OUT AMOUNT IN**  
11 **SUBPARAGRAPH (I)2 OF THIS PARAGRAPH SHALL BE INCREASED BY AN AMOUNT**  
12 **EQUAL TO THE PRODUCT OF MULTIPLYING EACH AMOUNT BY THE COST-OF-LIVING**  
13 **ADJUSTMENT SPECIFIED IN SUBSUBPARAGRAPH 2 OF THIS SUBPARAGRAPH.**

14           **2. FOR PURPOSES OF THIS SUBPARAGRAPH, THE**  
15 **COST-OF-LIVING ADJUSTMENT IS THE COST-OF-LIVING ADJUSTMENT WITHIN THE**  
16 **MEANING OF § 1(F)(3) OF THE INTERNAL REVENUE CODE FOR THE CALENDAR YEAR**  
17 **IN WHICH A TAXABLE YEAR BEGINS, AS DETERMINED BY THE COMPTROLLER BY**  
18 **SUBSTITUTING “CALENDAR YEAR 2015” FOR “CALENDAR YEAR 1992” IN § 1(F)(3)(B)**  
19 **OF THE INTERNAL REVENUE CODE.**

20           **3. IF ANY INCREASE DETERMINED UNDER**  
21 **SUBSUBPARAGRAPH 1 OF THIS SUBPARAGRAPH IS NOT A MULTIPLE OF \$50, THE**  
22 **INCREASE SHALL BE ROUNDED DOWN TO THE NEXT LOWEST MULTIPLE OF \$50.**

23           **(IV) FOR PURPOSES OF THIS SECTION FOR AN INDIVIDUAL**  
24 **WITHOUT A QUALIFYING CHILD, THE CREDIT ALLOWABLE FOR A TAXABLE YEAR**  
25 **UNDER § 32 OF THE INTERNAL REVENUE CODE IS CALCULATED WITHOUT REGARD**  
26 **TO THE MINIMUM AGE REQUIREMENT UNDER § 32(C)(1)(A)(II)(II) OF THE**  
27 **INTERNAL REVENUE CODE.**

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

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

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

1                   (2)   (i)    A county may provide, by law, for a refundable county earned  
2 income credit as provided in this paragraph.

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

7                   (iii)  If a county provides for a refundable county earned income credit  
8 under this paragraph, a resident may claim a refund of the amount, if any, by which the  
9 product of multiplying the credit allowable for the taxable year under § 32 of the Internal  
10 Revenue Code by 5 times the county income tax rate for the taxable year exceeds the county  
11 income tax for the taxable year.

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

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

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

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

24           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
25 1, 2016, and shall be applicable to all taxable years beginning after December 31, 2015.