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**By: Senators Currie, Lawlah, and McFadden**

Introduced and read first time: January 31, 1997

Assigned to: Budget and Taxation

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A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Earned Income Credit - Refunds**

3 FOR the purpose of altering the earned income credit allowed against the Maryland  
4 income tax; making part of the earned income credit refundable under certain  
5 circumstances; providing that any excess credit over the State income tax does not  
6 reduce the county income tax below zero; providing for the application of this Act;  
7 and generally relating to the earned income credit under the Maryland income tax.

8 BY repealing and reenacting, with amendments,  
9 Article - Tax - General  
10 Section 10-704 and 10-706(c)  
11 Annotated Code of Maryland  
12 (1988 Volume and 1996 Supplement)

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

15 **Article - Tax - General**

16 10-704.

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

19 (b) (1) Except as provided in paragraph (2) of this subsection AND SUBJECT TO  
20 SUBSECTION (C) OF THIS SECTION, the credit allowed under subsection (a) of this  
21 section is the lesser of:

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

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

25 (2) AN INDIVIDUAL MAY CLAIM A REFUND IN THE AMOUNT, IF ANY, BY  
26 WHICH 20% OF THE EARNED INCOME CREDIT ALLOWABLE UNDER § 32 OF THE  
27 INTERNAL REVENUE CODE EXCEEDS THE STATE INCOME TAX FOR THE TAXABLE  
28 YEAR.

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1            [(2)] (C) An individual who files an income tax return for a period of less than 1  
2 year:

3                    (1) is allowed from the amount under [paragraph (1) of this subsection]  
4 SUBSECTION (B)(1) OF THIS SECTION, a fraction:

5                    (i) the numerator of which is the number of months that the return  
6 covers; and

7                    (ii) the denominator of which is 12; AND

8                    (2) MAY NOT CLAIM A REFUND UNDER SUBSECTION (B)(2) OF THIS  
9 SECTION.

10 10-706.

11            (c) (1) A credit under § 10-704 of this subtitle:

12                    (i) is allowed only against the State income tax; and

13                    (ii) operates to reduce the county income tax.

14                    (2) [The] SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION, THE  
15 county income tax is based on the amount of State income tax after the State income tax  
16 is reduced by the credit.

17                    (3) IF THE CREDIT ALLOWED UNDER § 10-704 OF THIS SUBTITLE FOR  
18 ANY TAXABLE YEAR EXCEEDS THE STATE INCOME TAX FOR THAT TAXABLE YEAR,  
19 THE COUNTY INCOME TAX FOR THAT TAXABLE YEAR IS ZERO.

20            SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
21 July 1, 1997 and shall be applicable to all taxable years beginning after December 31,  
22 1996.