

SENATE BILL 223

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Q3
SB 667/97 - B&T

1998 Regular Session
8lr0602
CF 8lr0601

By: **Senators Hoffman, Currie, Van Hollen, Ruben, McFadden, Middleton, Kasemeyer, Lawlah, Blount, Fry, Hollinger, Hughes, Conway, Frosh, Forehand, Dyson, Collins, Sfikas, Della, Kelley, Teitelbaum, Green, Pinsky, and Trotter**

Introduced and read first time: January 30, 1998
Assigned to: Budget and Taxation

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
6 not reduce the county income tax below zero; providing for the application of this
7 Act; and generally relating to the earned income credit under the Maryland
8 income tax.

9 BY repealing and reenacting, with amendments,
10 Article - Tax - General
11 Section 10-704 and 10-706(c)
12 Annotated Code of Maryland
13 (1988 Volume and 1997 Supplement)

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

16 **Article - Tax - General**

17 10-704.

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

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

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

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

1 (2) AN INDIVIDUAL MAY CLAIM A REFUND IN THE AMOUNT, IF ANY, BY
2 WHICH 15% OF THE EARNED INCOME CREDIT ALLOWABLE UNDER § 32 OF THE
3 INTERNAL REVENUE CODE EXCEEDS THE STATE INCOME TAX FOR THE TAXABLE
4 YEAR.

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

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

9 (i) the numerator of which is the number of months that the return
10 covers; and

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

12 (2) MAY NOT CLAIM A REFUND UNDER SUBSECTION (B)(2) OF THIS
13 SECTION.

14 10-706.

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

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

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

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

21 [(ii)] (3) (I) For purposes of determining the county income tax, the
22 credit under § 10-704 of this subtitle shall be calculated using the State income tax as
23 modified under § 10-106(d) of this title.

24 (II) IF THE CREDIT ALLOWED UNDER § 10-704 OF THIS SUBTITLE
25 FOR ANY TAXABLE YEAR EXCEEDS THE STATE INCOME TAX AS MODIFIED UNDER §
26 10-106(D) OF THIS TITLE, THE COUNTY INCOME TAX IS ZERO.

27 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
28 July 1, 1998 and shall be applicable to all taxable years beginning after December 31,
29 1997.