

HOUSE BILL 7

Unofficial Copy  
Q3

1999 Regular Session  
(91r0725)

**ENROLLED BILL**

-- *Ways and Means/Budget and Taxation* --

Introduced by **Delegates Shriver, Taylor, Hixson, Arnick, Busch, Dewberry, Doory, Guns, Harrison, Howard, Hurson, Kopp, Menes, Montague, Owings, Rawlings, Rosenberg, Vallario, ~~and Wood~~ Wood, Carlson, Conroy, Cryor, Finifter, and McKee**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this  
\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_ M.

\_\_\_\_\_  
Speaker.

CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Income Tax - Credit for Child and Dependent Care and After-School**  
3 **Opportunity Expenses**

4 FOR the purpose of allowing certain individuals having income not exceeding certain  
5 levels a credit against the State income tax for certain child and dependent care  
6 ~~and after-school opportunity~~ expenses paid by the individual; defining certain  
7 terms; ~~making the credit refundable under certain circumstances~~; providing for  
8 the application of this Act; requiring the Office of the Comptroller to conduct a  
9 certain study and present the findings of the study to certain committees of the  
10 General Assembly; making a stylistic change; and generally relating to a credit  
11 against the State income tax for certain child and dependent care and  
12 ~~after-school opportunity~~ expenses.

13 BY repealing and reenacting, without amendments,

1 Article - Tax - General  
 2 Section 10-208(e)  
 3 Annotated Code of Maryland  
 4 (1997 Replacement Volume and 1998 Supplement)

5 BY adding to  
 6 Article - Tax - General  
 7 Section 10-712  
 8 Annotated Code of Maryland  
 9 (1997 Replacement Volume and 1998 Supplement)

10 ~~BY repealing and reenacting, with amendments,~~  
 11 ~~Article - Tax - General~~  
 12 ~~Section 10-809~~  
 13 ~~Annotated Code of Maryland~~  
 14 ~~(1997 Replacement Volume and 1998 Supplement)~~

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

17 **Article - Tax - General**

18 10-208.

19 (e) The subtraction under subsection (a) of this section includes expenses for  
 20 household and dependent care services not exceeding the dollar limit allowed under §  
 21 21(c) of the Internal Revenue Code and determined without reference to the  
 22 percentage limitation in § 21(a)(2) of the Internal Revenue Code.

23 10-712.

24 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
 25 INDICATED.

26 (2) ~~"DEPENDENT CARE CREDIT" MEANS THE CREDIT ALLOWED FOR~~  
 27 ~~EXPENSES FOR HOUSEHOLD AND DEPENDENT CARE SERVICES UNDER § 21 OF THE~~  
 28 ~~INTERNAL REVENUE CODE.~~

29 (2) "FEDERAL CHILD AND DEPENDENT CARE CREDIT" MEANS THE CHILD  
 30 AND DEPENDENT CARE CREDIT PROPERLY CLAIMED BY AN INDIVIDUAL FOR THE  
 31 TAXABLE YEAR UNDER § 21 OF THE INTERNAL REVENUE CODE.

32 (3) ~~"QUALIFYING AFTER-SCHOOL OPPORTUNITY" MEANS A PROGRAM~~  
 33 ~~THAT:~~

34 (4) ~~PROVIDES PRODUCTIVE, SUPERVISED ACTIVITY FOR~~  
 35 ~~SCHOOL-AGE CHILDREN WHEN THEY ARE NOT IN SCHOOL;~~

1                   (II)    ~~COMPLIES WITH ALL APPLICABLE STATE LAWS, INCLUDING~~  
2 ~~ALL APPLICABLE LICENSING REGULATIONS; AND~~

3                   (III)   ~~COMPLIES WITH ANY APPLICABLE STANDARDS OF QUALITY~~  
4 ~~DEVELOPED OR APPROVED BY THE STATE DEPARTMENT OF EDUCATION FOR~~  
5 ~~AFTER SCHOOL OPPORTUNITIES.~~

6                   (4)    ~~"QUALIFYING CHILD" MEANS A DEPENDENT WHO IS UNDER THE AGE~~  
7 ~~OF 18 AND WITH RESPECT TO WHOM THE TAXPAYER IS ENTITLED TO A DEDUCTION~~  
8 ~~UNDER § 151(C) OF THE INTERNAL REVENUE CODE.~~

9                   (5)    (3)    ~~"QUALIFYING INDIVIDUAL" MEANS A QUALIFYING INDIVIDUAL~~  
10 ~~WITHIN THE MEANING OF § 21(B) OF THE INTERNAL REVENUE CODE.~~

11           (B)    AN INDIVIDUAL WHOSE FEDERAL ADJUSTED GROSS INCOME FOR THE  
12 TAXABLE YEAR DOES NOT EXCEED ~~\$70,000~~ \$40,000, OR ~~\$35,000~~ \$20,000 IN THE CASE OF  
13 A MARRIED INDIVIDUAL FILING A SEPARATE RETURN, MAY CLAIM A CREDIT AGAINST  
14 THE STATE INCOME TAX AS PROVIDED IN THIS SECTION FOR EXPENSES PAID BY THE  
15 INDIVIDUAL DURING THE TAXABLE YEAR FOR THE CARE OF A QUALIFYING  
16 INDIVIDUAL ~~OR FOR QUALIFYING AFTER SCHOOL OPPORTUNITIES FOR QUALIFYING~~  
17 ~~CHILDREN.~~

18           (C)    ~~EXPENSES FOR THE CARE OF A QUALIFYING INDIVIDUAL MAY BE TAKEN~~  
19 ~~INTO ACCOUNT UNDER THIS SECTION ONLY IF THEY ARE ALLOWED TO BE TAKEN~~  
20 ~~INTO ACCOUNT FOR PURPOSES OF THE DEPENDENT CARE CREDIT.~~

21           (D)    (1)    ~~EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, THE CREDIT~~  
22 ~~ALLOWED UNDER THIS SECTION EQUALS THE DEPENDENT CARE CREDIT ALLOWED~~  
23 ~~FOR THE TAXABLE YEAR.~~

24                   (2)    ~~IF THE EXPENSES TAKEN INTO ACCOUNT FOR PURPOSES OF THE~~  
25 ~~DEPENDENT CARE CREDIT FOR THE TAXABLE YEAR ARE LESS THAN \$4,800, THE~~  
26 ~~CREDIT ALLOWED UNDER THIS SECTION EQUALS THE SUM OF:~~

27                   (I)    ~~THE DEPENDENT CARE CREDIT ALLOWED FOR THE TAXABLE~~  
28 ~~YEAR; AND~~

29                   (II)   ~~30% OF THE LESSER OF:~~

30                           1.    ~~THE EXPENSES PAID BY THE INDIVIDUAL FOR~~  
31 ~~QUALIFYING AFTER SCHOOL OPPORTUNITIES FOR QUALIFYING CHILDREN, NOT~~  
32 ~~INCLUDING ANY EXPENSES TAKEN INTO ACCOUNT FOR PURPOSES OF THE~~  
33 ~~DEPENDENT CARE CREDIT; AND~~

34                           2.    ~~THE AMOUNT BY WHICH \$4,800 EXCEEDS THE EXPENSES~~  
35 ~~TAKEN INTO ACCOUNT FOR PURPOSES OF THE DEPENDENT CARE CREDIT.~~

36           (C)    ~~SUBJECT TO SUBSECTION (D) OF THIS SECTION, THE CREDIT ALLOWED~~  
37 ~~UNDER THIS SECTION EQUALS THE LESSER OF:~~

1           (1)     ~~25% OF THE FEDERAL CHILD AND DEPENDENT CARE CREDIT; OR~~

2           (2)     ~~THE STATE INCOME TAX FOR THE TAXABLE YEAR.~~

3     ~~(E)~~     (D)     (1)     IF AN INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR  
4 THE TAXABLE YEAR EXCEEDS ~~\$50,000~~ \$30,000, THE CREDIT OTHERWISE ALLOWED  
5 UNDER THIS SECTION SHALL BE REDUCED BY ~~5%~~ 10% FOR EACH \$1,000 OR FRACTION  
6 OF \$1,000 BY WHICH THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME  
7 EXCEEDS ~~\$50,000~~ \$30,000.

8           (2)     IN THE CASE OF A MARRIED INDIVIDUAL FILING A SEPARATE  
9 RETURN, IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR THE  
10 TAXABLE YEAR EXCEEDS ~~\$25,000~~ \$15,000, THE CREDIT OTHERWISE ALLOWED UNDER  
11 THIS SECTION SHALL BE REDUCED BY ~~5%~~ 10% FOR EACH \$500 OR FRACTION OF \$500  
12 BY WHICH THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME EXCEEDS ~~\$25,000~~  
13 \$15,000.

14     ~~(F)~~     ~~(E)~~     ~~IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE~~  
15 ~~YEAR EXCEEDS THE STATE INCOME TAX FOR THAT TAXABLE YEAR, CALCULATED~~  
16 ~~BEFORE THE APPLICATION OF THE CREDITS ALLOWED UNDER THIS SECTION AND §§~~  
17 ~~10-701 AND 10-701.1 OF THIS SUBTITLE BUT AFTER APPLICATION OF THE OTHER~~  
18 ~~CREDITS UNDER THIS SUBTITLE, AN INDIVIDUAL MAY CLAIM A REFUND OF THE~~  
19 ~~EXCESS CREDIT.~~

20     ~~(G)~~     ~~(F)~~     (E)     THE CREDIT ALLOWED UNDER THIS SECTION DOES NOT  
21 AFFECT THE TREATMENT UNDER THIS TITLE OF ANY DEDUCTION OR EXCLUSION  
22 ALLOWED UNDER THIS TITLE OR ALLOWED FOR FEDERAL INCOME TAX PURPOSES  
23 FOR EXPENSES PAID BY THE INDIVIDUAL FOR THE CARE OF A QUALIFYING  
24 INDIVIDUAL.

25 ~~10-809.~~

26     ~~If an individual is not required to file an income tax return under § 10-805, [§~~  
27 ~~10-806] § 10-806, or § 10-813 of this subtitle, the individual:~~

28           (1)     ~~is not liable for income tax; and~~

29           (2)     ~~may file an income tax return to claim a refund of the income tax~~  
30 ~~withheld or estimated income tax paid or a refund under § 10-704 OR § 10-712 of this~~  
31 ~~title.~~

32     SECTION 2. AND BE IT FURTHER ENACTED, That the Office of the  
33 Comptroller shall conduct a study to examine the effectiveness of the tax credit  
34 program established under this Act in providing tax credits to individuals in need,  
35 including a demographic analysis of the individuals receiving the credits, the  
36 cost-effectiveness of the credits in reaching State goals, and the appropriateness of  
37 the levels of the tax credits. The Office of the Comptroller shall complete and present  
38 the findings of its study, in accordance with § 2-1246 of the State Government Article,  
39 to the House Committee on Ways and Means and the Senate Budget and Taxation  
40 Committee by ~~July~~ December 1, 2001.

1 SECTION ~~2.~~ 3. AND BE IT FURTHER ENACTED, That this Act shall take  
2 effect July 1, 1999 and shall be applicable to all taxable years beginning after  
3 December 31, ~~1998~~ 1999.