

HOUSE BILL 7

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Q3

1999 Regular Session
9lr0725

(PRE-FILED)

By: **Delegates Shriver, Taylor, Hixson, Arnick, Busch, Dewberry, Doory,
Guns, Harrison, Howard, Hurson, Kopp, Menes, Montague, Owings,
Rawlings, Rosenberg, Vallario, and Wood**

Requested: November 20, 1998

Introduced and read first time: January 13, 1999

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Credit for Dependent Care and After-School Opportunity**
3 **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 dependent care and
6 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; making a stylistic change; and generally relating to a
9 credit against the State income tax for certain dependent care and after-school
10 opportunity expenses.

11 BY repealing and reenacting, without amendments,
12 Article - Tax - General
13 Section 10-208(e)
14 Annotated Code of Maryland
15 (1997 Replacement Volume and 1998 Supplement)

16 BY adding to
17 Article - Tax - General
18 Section 10-712
19 Annotated Code of Maryland
20 (1997 Replacement Volume and 1998 Supplement)

21 BY repealing and reenacting, with amendments,
22 Article - Tax - General
23 Section 10-809
24 Annotated Code of Maryland
25 (1997 Replacement Volume and 1998 Supplement)

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

3 **Article - Tax - General**

4 10-208.

5 (e) The subtraction under subsection (a) of this section includes expenses for
6 household and dependent care services not exceeding the dollar limit allowed under §
7 21(c) of the Internal Revenue Code and determined without reference to the
8 percentage limitation in § 21(a)(2) of the Internal Revenue Code.

9 10-712.

10 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
11 INDICATED.

12 (2) "DEPENDENT CARE CREDIT" MEANS THE CREDIT ALLOWED FOR
13 EXPENSES FOR HOUSEHOLD AND DEPENDENT CARE SERVICES UNDER § 21 OF THE
14 INTERNAL REVENUE CODE.

15 (3) "QUALIFYING AFTER-SCHOOL OPPORTUNITY" MEANS A PROGRAM
16 THAT:

17 (I) PROVIDES PRODUCTIVE, SUPERVISED ACTIVITY FOR
18 SCHOOL-AGE CHILDREN WHEN THEY ARE NOT IN SCHOOL;

19 (II) COMPLIES WITH ALL APPLICABLE STATE LAWS, INCLUDING
20 ALL APPLICABLE LICENSING REGULATIONS; AND

21 (III) COMPLIES WITH ANY APPLICABLE STANDARDS OF QUALITY
22 DEVELOPED OR APPROVED BY THE STATE DEPARTMENT OF EDUCATION FOR
23 AFTER-SCHOOL OPPORTUNITIES.

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

27 (5) "QUALIFYING INDIVIDUAL" MEANS A QUALIFYING INDIVIDUAL
28 WITHIN THE MEANING OF § 21(B) OF THE INTERNAL REVENUE CODE.

29 (B) AN INDIVIDUAL WHOSE FEDERAL ADJUSTED GROSS INCOME FOR THE
30 TAXABLE YEAR DOES NOT EXCEED \$70,000, OR \$35,000 IN THE CASE OF A MARRIED
31 INDIVIDUAL FILING A SEPARATE RETURN, MAY CLAIM A CREDIT AGAINST THE STATE
32 INCOME TAX AS PROVIDED IN THIS SECTION FOR EXPENSES PAID BY THE
33 INDIVIDUAL DURING THE TAXABLE YEAR FOR THE CARE OF A QUALIFYING
34 INDIVIDUAL OR FOR QUALIFYING AFTER-SCHOOL OPPORTUNITIES FOR QUALIFYING
35 CHILDREN.

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

4 (D) (1) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, THE CREDIT
5 ALLOWED UNDER THIS SECTION EQUALS THE DEPENDENT CARE CREDIT ALLOWED
6 FOR THE TAXABLE YEAR.

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

10 (I) THE DEPENDENT CARE CREDIT ALLOWED FOR THE TAXABLE
11 YEAR; AND

12 (II) 30% OF THE LESSER OF:

13 1. THE EXPENSES PAID BY THE INDIVIDUAL FOR
14 QUALIFYING AFTER-SCHOOL OPPORTUNITIES FOR QUALIFYING CHILDREN, NOT
15 INCLUDING ANY EXPENSES TAKEN INTO ACCOUNT FOR PURPOSES OF THE
16 DEPENDENT CARE CREDIT; AND

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

19 (E) (1) IF AN INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR THE
20 TAXABLE YEAR EXCEEDS \$50,000, THE CREDIT OTHERWISE ALLOWED UNDER THIS
21 SECTION SHALL BE REDUCED BY 5% FOR EACH \$1,000 OR FRACTION OF \$1,000 BY
22 WHICH THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME EXCEEDS \$50,000.

23 (2) IN THE CASE OF A MARRIED INDIVIDUAL FILING A SEPARATE
24 RETURN, IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR THE
25 TAXABLE YEAR EXCEEDS \$25,000, THE CREDIT OTHERWISE ALLOWED UNDER THIS
26 SECTION SHALL BE REDUCED BY 5% FOR EACH \$500 OR FRACTION OF \$500 BY WHICH
27 THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME EXCEEDS \$25,000.

28 (F) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE YEAR
29 EXCEEDS THE STATE INCOME TAX FOR THAT TAXABLE YEAR, CALCULATED BEFORE
30 THE APPLICATION OF THE CREDITS ALLOWED UNDER THIS SECTION AND §§ 10-701
31 AND 10-701.1 OF THIS SUBTITLE BUT AFTER APPLICATION OF THE OTHER CREDITS
32 UNDER THIS SUBTITLE, AN INDIVIDUAL MAY CLAIM A REFUND OF THE EXCESS
33 CREDIT.

34 (G) THE CREDIT ALLOWED UNDER THIS SECTION DOES NOT AFFECT THE
35 TREATMENT UNDER THIS TITLE OF ANY DEDUCTION OR EXCLUSION ALLOWED
36 UNDER THIS TITLE OR ALLOWED FOR FEDERAL INCOME TAX PURPOSES FOR
37 EXPENSES PAID BY THE INDIVIDUAL FOR THE CARE OF A QUALIFYING INDIVIDUAL.

1 10-809.

2 If an individual is not required to file an income tax return under § 10-805, [§
3 10-806] § 10-806, or § 10-813 of this subtitle, the individual:

4 (1) is not liable for income tax; and

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

8 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
9 July 1, 1999 and shall be applicable to all taxable years beginning after December 31,
10 1998.