

SENATE BILL 631

Unofficial Copy  
Q3

1999 Regular Session  
9r1772  
CF HB 7

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By: **Senators Van Hollen, Lawlah, McFadden, Kasemeyer, Frosh, and Currie**  
Introduced and read first time: February 5, 1999  
Assigned to: Budget and Taxation

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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)

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

1 **Article - Tax - General**

2 10-208.

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

7 10-712.

8 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
9 INDICATED.

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

13 (3) "QUALIFYING CHILD CARE OR AFTER-SCHOOL OPPORTUNITY"  
14 MEANS A PROGRAM THAT:

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

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

20 (III) IS REGULATED OR LICENSED BY THE DEPARTMENT OF HUMAN  
21 RESOURCES OR IS APPROVED BY THE DEPARTMENT OF HUMAN RESOURCES AS  
22 QUALIFYING FOR THE TAX CREDIT UNDER THIS SECTION.

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

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

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

35 (C) (1) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, THE CREDIT  
36 ALLOWED UNDER THIS SECTION EQUALS THE DEPENDENT CARE CREDIT ALLOWED  
37 FOR THE TAXABLE YEAR.

1 (2) IF THE INDIVIDUAL DOES NOT CLAIM THE DEPENDENT CARE CREDIT  
2 OR IF THE EXPENSES TAKEN INTO ACCOUNT FOR PURPOSES OF THE DEPENDENT  
3 CARE CREDIT FOR THE TAXABLE YEAR ARE LESS THAN \$4,800, OR, IN THE CASE OF AN  
4 INDIVIDUAL WHO HAS ONLY ONE QUALIFYING CHILD, LESS THAN \$2,400, THE CREDIT  
5 ALLOWED UNDER THIS SECTION EQUALS THE SUM OF:

6 (I) THE DEPENDENT CARE CREDIT ALLOWED FOR THE TAXABLE  
7 YEAR; AND

8 (II) 20% OF THE LESSER OF:

9 1. THE EXPENSES PAID BY THE INDIVIDUAL FOR  
10 QUALIFYING DAY CARE OR AFTER-SCHOOL OPPORTUNITIES FOR QUALIFYING  
11 CHILDREN, NOT INCLUDING ANY EXPENSES TAKEN INTO ACCOUNT FOR PURPOSES  
12 OF THE DEPENDENT CARE CREDIT; AND

13 2. THE AMOUNT BY WHICH \$4,800, OR, IF THE INDIVIDUAL  
14 HAS ONLY ONE QUALIFYING CHILD, \$2,400, EXCEEDS THE EXPENSES TAKEN INTO  
15 ACCOUNT FOR PURPOSES OF THE DEPENDENT CARE CREDIT.

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

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

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

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

35 10-809.

36 If an individual is not required to file an income tax return under § 10-805, [§  
37 10-806] § 10-806, or § 10-813 of this subtitle, the individual:

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

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

4       SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
5 July 1, 1999 and shall be applicable to all taxable years beginning after December 31,  
6 1999.