

SENATE BILL 631

Unofficial Copy
Q3

1999 Regular Session
9r1772
CF HB 7

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

Committee Report: Favorable with amendments
Senate action: Adopted
Read second time: April 6, 1999

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; requiring the~~
8 Office of the Comptroller to conduct a certain study and present the findings of
9 the study to certain committees of the General Assembly; providing for the
10 application of this Act; making a stylistic change; and generally relating to a
11 credit against the State income tax for certain child and dependent care ~~and~~
12 ~~after-school opportunity~~ expenses.

13 BY repealing and reenacting, without amendments,
14 Article - Tax - General
15 Section 10-208(e)
16 Annotated Code of Maryland
17 (1997 Replacement Volume and 1998 Supplement)

18 BY adding to
19 Article - Tax - General
20 Section 10-712
21 Annotated Code of Maryland
22 (1997 Replacement Volume and 1998 Supplement)

23 ~~BY repealing and reenacting, with amendments,~~
24 ~~Article - Tax - General~~

1 ~~Section 10-809~~
2 ~~Annotated Code of Maryland~~
3 ~~(1997 Replacement Volume and 1998 Supplement)~~

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

6 **Article - Tax - General**

7 10-208.

8 (e) The subtraction under subsection (a) of this section includes expenses for
9 household and dependent care services not exceeding the dollar limit allowed under §
10 21(c) of the Internal Revenue Code and determined without reference to the
11 percentage limitation in § 21(a)(2) of the Internal Revenue Code.

12 10-712.

13 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
14 INDICATED.

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

18 ~~(3) "QUALIFYING CHILD CARE OR AFTER-SCHOOL OPPORTUNITY"~~
19 ~~MEANS A PROGRAM THAT:~~

20 ~~(I) PROVIDES PRODUCTIVE, SUPERVISED ACTIVITY FOR~~
21 ~~SCHOOL-AGE CHILDREN WHEN THEY ARE NOT IN SCHOOL OR FOR PRE-SCHOOL-AGE~~
22 ~~CHILDREN;~~

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

25 ~~(III) IS REGULATED OR LICENSED BY THE DEPARTMENT OF HUMAN~~
26 ~~RESOURCES OR IS APPROVED BY THE DEPARTMENT OF HUMAN RESOURCES AS~~
27 ~~QUALIFYING FOR THE TAX CREDIT UNDER THIS SECTION.~~

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

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

34 ~~(5) (3) "QUALIFYING INDIVIDUAL" MEANS A QUALIFYING INDIVIDUAL~~
35 ~~WITHIN THE MEANING OF § 21(B) OF THE INTERNAL REVENUE CODE.~~

1 (B) AN INDIVIDUAL WHOSE FEDERAL ADJUSTED GROSS INCOME FOR THE
 2 TAXABLE YEAR DOES NOT EXCEED ~~\$70,000~~ \$40,000, OR ~~\$35,000~~ \$20,000 IN THE CASE OF
 3 A MARRIED INDIVIDUAL FILING A SEPARATE RETURN, MAY CLAIM A CREDIT AGAINST
 4 THE STATE INCOME TAX AS PROVIDED IN THIS SECTION FOR EXPENSES PAID BY THE
 5 INDIVIDUAL DURING THE TAXABLE YEAR FOR THE CARE OF A QUALIFYING
 6 INDIVIDUAL ~~OR FOR QUALIFYING CHILD CARE OR AFTER SCHOOL OPPORTUNITIES~~
 7 ~~FOR QUALIFYING CHILDREN.~~

8 ~~(C) (I) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, THE CREDIT~~
 9 ~~ALLOWED UNDER THIS SECTION EQUALS THE DEPENDENT CARE CREDIT ALLOWED~~
 10 ~~FOR THE TAXABLE YEAR.~~

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

16 ~~(I) THE DEPENDENT CARE CREDIT ALLOWED FOR THE TAXABLE~~
 17 ~~YEAR; AND~~

18 ~~(II) 20% OF THE LESSER OF:~~

19 1. ~~THE EXPENSES PAID BY THE INDIVIDUAL FOR~~
 20 ~~QUALIFYING DAY CARE OR AFTER SCHOOL OPPORTUNITIES FOR QUALIFYING~~
 21 ~~CHILDREN, NOT INCLUDING ANY EXPENSES TAKEN INTO ACCOUNT FOR PURPOSES~~
 22 ~~OF THE DEPENDENT CARE CREDIT; AND~~

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

26 (C) SUBJECT TO SUBSECTION (D) OF THIS SECTION, THE CREDIT ALLOWED
 27 UNDER THIS SECTION EQUALS THE LESSER OF:

28 (1) 25% OF THE FEDERAL CHILD AND DEPENDENT CARE CREDIT; OR

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

30 (D) (1) IF AN INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR THE
 31 TAXABLE YEAR EXCEEDS ~~\$50,000~~ \$30,000, THE CREDIT OTHERWISE ALLOWED UNDER
 32 THIS SECTION SHALL BE REDUCED BY ~~5%~~ 10% FOR EACH \$1,000 OR FRACTION OF
 33 \$1,000 BY WHICH THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME EXCEEDS
 34 ~~\$50,000~~ \$30,000.

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

1 BY WHICH THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME EXCEEDS \$25,000
2 \$15,000.

3 ~~(E) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE YEAR~~
4 ~~EXCEEDS THE STATE INCOME TAX FOR THAT TAXABLE YEAR, CALCULATED BEFORE~~
5 ~~THE APPLICATION OF THE CREDITS ALLOWED UNDER THIS SECTION AND §§ 10-701~~
6 ~~AND 10-701.1 OF THIS SUBTITLE BUT AFTER APPLICATION OF THE OTHER CREDITS~~
7 ~~UNDER THIS SUBTITLE, AN INDIVIDUAL MAY CLAIM A REFUND OF THE EXCESS~~
8 ~~CREDIT.~~

9 ~~(F)~~ (E) THE CREDIT ALLOWED UNDER THIS SECTION DOES NOT AFFECT THE
10 TREATMENT UNDER THIS TITLE OF ANY DEDUCTION OR EXCLUSION ALLOWED
11 UNDER THIS TITLE OR ALLOWED FOR FEDERAL INCOME TAX PURPOSES FOR
12 EXPENSES PAID BY THE INDIVIDUAL FOR THE CARE OF A QUALIFYING INDIVIDUAL.

13 ~~10-809.~~

14 ~~If an individual is not required to file an income tax return under § 10-805, [§~~
15 ~~10-806] § 10-806, or § 10-813 of this subtitle, the individual:~~

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

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

20 SECTION 2. AND IT BE FURTHER ENACTED, That the Office of the
21 Comptroller shall conduct a study to examine the effectiveness of the tax credit
22 program established under this Act in providing tax credits to individuals in need,
23 including a demographic analysis of the individuals receiving the credits, the
24 cost-effectiveness of the credits in reaching State goals, and the appropriateness of
25 the levels of the tax credits. The Office of the Comptroller shall complete and present
26 the findings of its study, in accordance with § 2-1246 of the State Government Article,
27 to the House Committee on Ways and Means and the Senate Budget and Taxation
28 Committee by December 1, 2001.

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