
By: **Delegates Hixson, Barkley, Bobo, Bohanan, Bozman, Cane, Carlson,
Conroy, Cryor, C. Davis, Finifter, Frush, Goldwater, Healey, Heller,
Howard, Hubers, Kopp, Mandel, Marriott, Rosso, Sher, and DeCarlo**

Introduced and read first time: February 11, 2000

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Earned Income Credit**

3 FOR the purpose of altering the percentage of the federal earned income credit used
4 for determining the amount that certain individuals may claim as a refundable
5 credit under certain circumstances; authorizing the counties and Baltimore City
6 to make the county earned income credit refundable under certain
7 circumstances; providing for the application of this Act; providing for the
8 construction of this Act; and generally relating to earned income credit allowed
9 under the Maryland income tax.

10 BY repealing and reenacting, with amendments,
11 Article - Tax - General
12 Section 10-704
13 Annotated Code of Maryland
14 (1997 Replacement Volume and 1999 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 10-704.

19 (a) (1) An individual may claim a credit against the State income tax for a
20 taxable year in the amount determined under subsection (b) of this section for earned
21 income.

22 (2) An individual may claim a credit against the county income tax for a
23 taxable year in the amount determined under subsection (c) of this section for earned
24 income.

1 (b) (1) Except as provided in paragraph (2) of this subsection and subject to
2 subsection (d) of this section, the credit allowed against the State income tax under
3 subsection (a)(1) of this section is the lesser of:

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

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

7 (2) [(i)] An individual with one or more dependents that may be claimed
8 as exemptions may claim a refund in the amount, if any, by which [the applicable
9 percentage specified in subparagraph (ii) of this paragraph] 50% of the earned income
10 credit allowable under § 32 of the Internal Revenue Code exceeds the State income
11 tax for the taxable year.

12 [(ii)] The applicable percentage of the earned income credit allowable
13 under § 32 of the Internal Revenue Code to be used for purposes of determining the
14 refund provided under this paragraph is:

15 1. 10% for a taxable year beginning after December 31, 1997
16 but before January 1, 2000;

17 2. 12.5% for a taxable year beginning after December 31,
18 1999 but before January 1, 2001; and

19 3. 15% for a taxable year beginning after December 31,
20 2000.]

21 (c) (1) [Subject] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS
22 SUBSECTION AND SUBJECT to subsection (d) of this section, the credit allowed against
23 the county income tax under subsection(a)(2) of this section is the lesser of:

24 [(1)] (I) the earned income credit allowable for the taxable year under §
25 32 of the Internal Revenue Code multiplied by 10 times the county income tax rate for
26 the taxable year; or

27 [(2)] (II) the county income tax for the taxable year.

28 (2) (I) A COUNTY MAY PROVIDE, BY LAW, FOR A REFUNDABLE COUNTY
29 EARNED INCOME CREDIT AS PROVIDED IN THIS PARAGRAPH FOR INDIVIDUALS
30 HAVING ONE OR MORE DEPENDENTS THAT MAY BE CLAIMED AS EXEMPTIONS.

31 (II) IF A COUNTY PROVIDES FOR A REFUNDABLE COUNTY EARNED
32 INCOME CREDIT UNDER THIS PARAGRAPH, ON OR BEFORE JULY PRIOR TO THE
33 BEGINNING OF THE FIRST TAXABLE YEAR FOR WHICH IT IS APPLICABLE, THE
34 COUNTY SHALL GIVE THE COMPTROLLER NOTICE OF THE REFUNDABLE COUNTY
35 EARNED INCOME CREDIT.

36 (III) IF A COUNTY PROVIDES FOR A REFUNDABLE COUNTY EARNED
37 INCOME CREDIT UNDER THIS PARAGRAPH, AN INDIVIDUAL WITH ONE OR MORE

1 DEPENDENTS THAT MAY BE CLAIMED AS EXEMPTIONS MAY CLAIM A REFUND OF THE
2 AMOUNT, IF ANY, BY WHICH THE PRODUCT OF MULTIPLYING THE CREDIT
3 ALLOWABLE UNDER § 32 OF THE INTERNAL REVENUE CODE BY 10 TIMES THE
4 COUNTY INCOME TAX RATE FOR THE TAXABLE YEAR EXCEEDS THE COUNTY INCOME
5 TAX FOR THE TAXABLE YEAR.

6 (IV) THE AMOUNT OF ANY REFUNDS PAYABLE UNDER A
7 REFUNDABLE COUNTY EARNED INCOME CREDIT OPERATES TO REDUCE THE
8 INCOME TAX REVENUE FROM INDIVIDUALS ATTRIBUTABLE TO THE COUNTY INCOME
9 TAX FOR THAT COUNTY.

10 (d) For an individual who is a nonresident or is a resident of the State for only
11 a part of the year, the amount of the credit or refund allowed under this section shall
12 be determined based on the part of the earned income credit allowable for the taxable
13 year under § 32 of the Internal Revenue Code that is attributable to Maryland,
14 determined by multiplying the federal earned income credit by a fraction:

15 (1) the numerator of which is the Maryland adjusted gross income of the
16 individual; and

17 (2) the denominator of which is the federal adjusted gross income of the
18 individual.

19 SECTION 2. AND BE IT FURTHER ENACTED, That the authorization under
20 this Act for the counties and Baltimore City to make the county earned income credit
21 refundable may not be construed to:

22 (1) affect the authority of Montgomery County to implement its Working
23 Families Income Supplement Program or the agreement entered into between the
24 State Comptroller and Montgomery County regarding the administration of
25 Montgomery County's Working Families Income Supplement Program; or

26 (2) affect any authority of any county or Baltimore City to establish a
27 program similar to the Montgomery County's Working Families Income Supplement
28 Program or to enter into a similar agreement with the State Comptroller for the
29 administration of such a program.

30 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
31 July 1, 2000 and shall be applicable to all taxable years beginning after December 31,
32 1999.