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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~~
        DeCarlo, Hubbard, and Shriver
Introduced and read first time: February 11, 2000
Assigned to: Ways and Means

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Committee Report: Favorable with amendments
House action: Adopted
Read second time: April 1, 2000

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CHAPTER_____

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 <u>the</u> earned income credit
9   allowed 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:

1   **Article - Tax - General**

2 10-704.

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

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

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

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

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

15   (2)   [(i)]   An individual with one or more dependents that may be claimed
16 as exemptions may claim a refund in the amount, if any, by which [the applicable
17 percentage specified in subparagraph (ii) of this paragraph] 50% 15% of the earned
18 income credit allowable under § 32 of the Internal Revenue Code exceeds the State
19 income tax for the taxable year.

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

23   1.   10% for a taxable year beginning after December 31, 1997
24 but before January 1, 2000;

25   2.   12.5% for a taxable year beginning after December 31,
26 1999 but before January 1, 2001; and

27   3.   15% for a taxable year beginning after December 31,
28 2000.]

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

32   [(1)]   (I)   the earned income credit allowable for the taxable year under §
33 32 of the Internal Revenue Code multiplied by 10 times the county income tax rate for
34 the taxable year; or

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

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

4   (II)   IF A COUNTY PROVIDES FOR A REFUNDABLE COUNTY EARNED
5 INCOME CREDIT UNDER THIS PARAGRAPH, ON OR BEFORE JULY 1 PRIOR TO THE
6 BEGINNING OF THE FIRST TAXABLE YEAR FOR WHICH IT IS APPLICABLE, THE
7 COUNTY SHALL GIVE THE COMPTROLLER NOTICE OF THE REFUNDABLE COUNTY
8 EARNED INCOME CREDIT.

9   (III)   IF A COUNTY PROVIDES FOR A REFUNDABLE COUNTY EARNED
10 INCOME CREDIT UNDER THIS PARAGRAPH, AN INDIVIDUAL WITH ONE OR MORE
11 DEPENDENTS THAT MAY BE CLAIMED AS EXEMPTIONS MAY CLAIM A REFUND OF THE
12 AMOUNT, IF ANY, BY WHICH THE PRODUCT OF MULTIPLYING THE CREDIT
13 ALLOWABLE UNDER § 32 OF THE INTERNAL REVENUE CODE BY 10 3 TIMES THE
14 COUNTY INCOME TAX RATE FOR THE TAXABLE YEAR EXCEEDS THE COUNTY INCOME
15 TAX FOR THE TAXABLE YEAR.

16   (IV)   THE AMOUNT OF ANY REFUNDS PAYABLE UNDER A
17 REFUNDABLE COUNTY EARNED INCOME CREDIT OPERATES TO REDUCE THE
18 INCOME TAX REVENUE FROM INDIVIDUALS ATTRIBUTABLE TO THE COUNTY INCOME
19 TAX FOR THAT COUNTY.

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

25   (1)   the numerator of which is the Maryland adjusted gross income of the
26 individual; and

27   (2)   the denominator of which is the federal adjusted gross income of the
28 individual.

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

32   (1)   affect the authority of Montgomery County to implement its Working
33 Families Income Supplement Program or the agreement entered into between the
34 State Comptroller and Montgomery County regarding the administration of
35 Montgomery County's Working Families Income Supplement Program; or

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

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