

SENATE BILL 240

Unofficial Copy
Q3

2000 Regular Session
(01r1418)

ENROLLED BILL

-- Budget and Taxation/Ways and Means --

Introduced by **Senators Hoffman, Ruben, Van Hollen, Hogan, Currie,
Stoltzfus, Baker, Bromwell, Lawlah, Munson, ~~and Madden~~ Madden,
Kasemeyer, McFadden, Middleton, Neall, and Stone**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____ M.

President.

CHAPTER _____

1 AN ACT concerning

2 **Income Tax - Earned Income Credit**

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

- 10 BY repealing and reenacting, with amendments,
- 11 Article - Tax - General
- 12 Section 10-704(b)(2)
- 13 Annotated Code of Maryland
- 14 (1997 Replacement Volume and 1999 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 10-704.

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

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

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

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

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

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

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

25 1. 10% for a taxable year beginning after December 31, 1997
26 but before January 1, 2000;

27 2. 12.5% for a taxable year beginning after December 31,
28 1999 but before January 1, 2001; and

29 3. 15% for a taxable year beginning after December 31,
30 2000.]

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

34 [(1)] (1) the earned income credit allowable for the taxable year under §
35 32 of the Internal Revenue Code multiplied by 10 times the county income tax rate for
36 the taxable year; or

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

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

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

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

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

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

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

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

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

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

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

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