

HOUSE BILL 222

Unofficial Copy
Q3

2001 Regular Session
(11r1163)

ENROLLED BILL

-- Ways and Means/Budget and Taxation --

Introduced by **Delegates Hixson, Franchot, Barkley, Benson, Billings, Bobo, Boschert, Bronrott, Carlson, Conroy, Cryor, C. Davis, DeCarlo, Dembrow, Dobson, Doory, Finifter, Frush, Glassman, Goldwater, Grosfeld, Hammen, Hecht, Heller, Howard, Hurson, A. Jones, Kopp, La Vay, Love, Mandel, Marriott, McIntosh, Menes, Morhaim, Patterson, Petzold, Riley, Rosenberg, Rosso, Shriver, Sophocleus, Turner, Hubers, Rawlings, W. Baker, and ~~Clagett~~ Clagett, Bozman, Healey, and Parrott**

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.

Speaker.

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; altering the calculation of a refundable
6 county earned income credit if a county provides a refundable county earned
7 income credit; requiring the Spending Affordability Committee to include a
8 certain recommendation in a certain report; providing for the application of this
9 Act; and generally relating to the earned income credit allowed under the State
10 income tax.

11 BY repealing and reenacting, with amendments,

1 Article - Tax - General
 2 Section 10-704
 3 Annotated Code of Maryland
 4 (1997 Replacement Volume and 2000 Supplement)

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

7 **Article - Tax - General**

8 10-704.

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

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

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

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

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

21 (2) (I) An individual with one or more dependents that may be claimed
 22 as exemptions may claim a refund in the amount, if any, by which [15%] ~~20%~~ THE
 23 APPLICABLE PERCENTAGE SPECIFIED IN SUBPARAGRAPH (II) OF THIS PARAGRAPH of
 24 the earned income credit allowable under § 32 of the Internal Revenue Code exceeds
 25 the State income tax for the taxable year.

26 (II) THE APPLICABLE PERCENTAGE OF THE EARNED INCOME
 27 CREDIT ALLOWABLE UNDER § 32 OF THE INTERNAL REVENUE CODE TO BE USED FOR
 28 PURPOSES OF DETERMINING THE REFUND PROVIDED UNDER THIS PARAGRAPH IS:

29 1. 15% 16% FOR A TAXABLE YEAR BEGINNING AFTER
 30 DECEMBER 31, 2000 BUT BEFORE JANUARY 1, 2002;

31 2. 17.5% 16% FOR A TAXABLE YEAR BEGINNING AFTER
 32 DECEMBER 31, 2001 BUT BEFORE JANUARY 1, 2003; AND

33 3. 18% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER
 34 31, 2002 BUT BEFORE JANUARY 1, 2004; AND

35 3. 4. 20% FOR A TAXABLE YEAR BEGINNING AFTER
 36 DECEMBER 31, 2002 2003.

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

4 (i) the earned income credit allowable for the taxable year under §
 5 32 of the Internal Revenue Code multiplied by 10 times the county income tax rate for
 6 the taxable year; or

7 (ii) the county income tax for the taxable year.

8 (2) (i) A county may provide, by law, for a refundable county earned
 9 income credit as provided in this paragraph for individuals having one or more
 10 dependents that may be claimed as exemptions.

11 (ii) If a county provides for a refundable county earned income
 12 credit under this paragraph, on or before July 1 prior to the beginning of the first
 13 taxable year for which it is applicable, the county shall give the Comptroller notice of
 14 the refundable county earned income credit.

15 (iii) If a county provides for a refundable county earned income
 16 credit under this paragraph, an individual with one or more dependents that may be
 17 claimed as exemptions may claim a refund of the amount, if any, by which the product
 18 of multiplying the credit allowable under § 32 of the Internal Revenue Code by [3] 4
 19 THE APPLICABLE NUMBER SPECIFIED IN SUBPARAGRAPH (IV) OF THIS PARAGRAPH
 20 times the county income tax rate for the taxable year exceeds the county income tax
 21 for the taxable year.

22 (IV) THE APPLICABLE NUMBER TO BE MULTIPLIED BY THE COUNTY
 23 INCOME TAX RATE FOR PURPOSES OF DETERMINING A REFUND PROVIDED UNDER
 24 THIS PARAGRAPH IS:

25 1. 3.2 FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER
 26 31, 2000 BUT BEFORE JANUARY 1, 2002;

27 2. 3.5 3.2 FOR A TAXABLE YEAR BEGINNING AFTER
 28 DECEMBER 31, 2001 BUT BEFORE JANUARY 1, 2003; AND

29 3. 3.6 FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER
 30 31, 2002 BUT BEFORE JANUARY 1, 2004; AND

31 3. 4. 4 FOR A TAXABLE YEAR BEGINNING AFTER
 32 DECEMBER 31, 2002 2003.

33 (iv) (V) The amount of any refunds payable under a refundable
 34 county earned income credit operates to reduce the income tax revenue from
 35 individuals attributable to the county income tax for that county.

36 (d) For an individual who is a nonresident or is a resident of the State for only
 37 a part of the year, the amount of the credit or refund allowed under this section shall
 38 be determined based on the part of the earned income credit allowable for the taxable

1 year under § 32 of the Internal Revenue Code that is attributable to Maryland,
2 determined by multiplying the federal earned income credit by a fraction:

3 (1) the numerator of which is the Maryland adjusted gross income of the
4 individual; and

5 (2) the denominator of which is the federal adjusted gross income of the
6 individual.

7 SECTION 2. AND BE IT FURTHER ENACTED, That the Spending
8 Affordability Committee shall include a recommendation in its final report of the 2002
9 interim as to the fiscal prudence of accelerating the phased-in increase of the earned
10 income credit refund enacted under this Act.

11 ~~SECTION 3.~~ SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take
12 effect July 1, 2001 and shall be applicable to all taxable years beginning after
13 December 31, 2000.