

HOUSE BILL 222

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Q3

2001 Regular Session
11r1163
CF 11r1046

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**

Introduced and read first time: January 22, 2001
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; altering the calculation of a refundable
6 county earned income credit if a county provides a refundable county earned
7 income credit; providing for the application of this Act; and generally relating to
8 the earned income credit allowed under the State income tax.

9 BY repealing and reenacting, with amendments,
10 Article - Tax - General
11 Section 10-704
12 Annotated Code of Maryland
13 (1997 Replacement Volume and 2000 Supplement)

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

16 **Article - Tax - General**

17 10-704.

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

21 (2) An individual may claim a credit against the county income tax for a
22 taxable year in the amount determined under subsection (c) of this section for earned
23 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) An individual with one or more dependents that may be claimed as
8 exemptions may claim a refund in the amount, if any, by which [15%] 20% of the
9 earned income credit allowable under § 32 of the Internal Revenue Code exceeds the
10 State income tax for the taxable year.

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

14 (i) the earned income credit allowable for the taxable year under §
15 32 of the Internal Revenue Code multiplied by 10 times the county income tax rate for
16 the taxable year; or

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

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

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

25 (iii) If a county provides for a refundable county earned income
26 credit under this paragraph, an individual with one or more dependents that may be
27 claimed as exemptions may claim a refund of the amount, if any, by which the product
28 of multiplying the credit allowable under § 32 of the Internal Revenue Code by [3] 4
29 times the county income tax rate for the taxable year exceeds the county income tax
30 for the taxable year.

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

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

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

3 (2) the denominator of which is the federal adjusted gross income of the
4 individual.

5 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
6 July 1, 2001 and shall be applicable to all taxable years beginning after December 31,
7 2000.