

HOUSE BILL 222

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Q3

2001 Regular Session
1lr1163
CF 1lr1046

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**

Introduced and read first time: January 22, 2001

Assigned to: Ways and Means

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 17, 2001

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; 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:

Article - Tax - General

10-704.

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

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

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

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

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

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

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

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

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

3. 20% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2002.

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

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

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

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

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

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

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

18 1. 3 FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
19 2000 BUT BEFORE JANUARY 1, 2002;

20 2. 3.5 FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER
21 31, 2001 BUT BEFORE JANUARY 1, 2003; AND

22 3. 4 FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
23 2002.

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

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

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

34 (2) the denominator of which is the federal adjusted gross income of the
35 individual.

36 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
37 July 1, 2001 and shall be applicable to all taxable years beginning after December 31,
38 2000.

