

SENATE BILL 166

Unofficial Copy
Q3

2001 Regular Session
(11r1046)

ENROLLED BILL

-- Budget and Taxation/Ways and Means --

Introduced by **Senators Hoffman, Blount, Bromwell, Currie, DeGrange,
Dorman, Frosh, Green, Hafer, Hogan, Hollinger, Hooper, Kelley, Lawlah,
McFadden, Middleton, Munson, Neal Neall, Pinsky, Roesser, Ruben,
Sfikas, Stoltzfus, Teitelbaum, and Van Hollen**

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 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,

12 Article - Tax - General

13 Section 10-704

1 Annotated Code of Maryland
2 (1997 Replacement Volume and 2000 Supplement)

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

5 **Article - Tax - General**

6 10-704.

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

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

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

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

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

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

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

27 1. 16% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER
28 31, 2000 BUT BEFORE JANUARY 1, 2002;

29 2. ~~17%~~ 16% FOR A TAXABLE YEAR BEGINNING AFTER
30 DECEMBER 31, 2001 BUT BEFORE JANUARY 1, 2003;

31 3. 18% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER
32 31, 2002 BUT BEFORE JANUARY 1, 2004; AND

33 4. ~~19%~~ FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER
34 31, 2003 BUT BEFORE JANUARY 1, 2005; AND

1 ~~5.~~ 20% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER
 2 31, 2004 2003.

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

6 (i) the earned income credit allowable for the taxable year under §
 7 32 of the Internal Revenue Code multiplied by 10 times the county income tax rate for
 8 the taxable year; or

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

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

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

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

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

27 1. ~~3.2%~~ 3.2 FOR A TAXABLE YEAR BEGINNING AFTER
 28 DECEMBER 31, 2000 BUT BEFORE JANUARY 1, 2002;

29 2. ~~3.4%~~ 3.2 FOR A TAXABLE YEAR BEGINNING AFTER
 30 DECEMBER 31, 2001 BUT BEFORE JANUARY 1, 2003;

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

33 4. ~~3.8%~~ FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER
 34 31, 2003 BUT BEFORE JANUARY 1, 2005; AND

35 ~~5.~~ 4% 4 FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER
 36 31, 2004 2003.

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

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

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

11 (2) the denominator of which is the federal adjusted gross income of the
12 individual.

13 SECTION 2. AND BE IT FURTHER ENACTED, That the Spending
14 Affordability Committee shall include a recommendation in its final report of the
15 2002 interim as to the fiscal prudence of accelerating the phased-in increase of the
16 earned income credit refund enacted under this Act.

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