

SENATE BILL 166

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2001 Regular Session
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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**

Introduced and read first time: January 19, 2001
Assigned to: Budget and Taxation

Committee Report: Favorable with amendments
Senate action: Adopted
Read second time: March 22, 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; 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
14 Annotated Code of Maryland
15 (1997 Replacement Volume and 2000 Supplement)

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

1

Article - Tax - General

2 10-704.

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

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

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

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

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

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

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

23 1. 16% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER
24 31, 2000 BUT BEFORE JANUARY 1, 2002;

25 2. 17% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER
26 31, 2001 BUT BEFORE JANUARY 1, 2003;

27 3. 18% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER
28 31, 2002 BUT BEFORE JANUARY 1, 2004;

29 4. 19% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER
30 31, 2003 BUT BEFORE JANUARY 1, 2005; AND

31 5. 20% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER
32 31, 2004.

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

1 (i) the earned income credit allowable for the taxable year under §
2 32 of the Internal Revenue Code multiplied by 10 times the county income tax rate for
3 the taxable year; or

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

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

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

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

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

22 1. 3.2% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER
23 31, 2000 BUT BEFORE JANUARY 1, 2002;

24 2. 3.4% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER
25 31, 2001 BUT BEFORE JANUARY 1, 2003;

26 3. 3.6% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER
27 31, 2002 BUT BEFORE JANUARY 1, 2004;

28 4. 3.8% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER
29 31, 2003 BUT BEFORE JANUARY 1, 2005; AND

30 5. 4% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER
31 31, 2004.

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

35 (d) For an individual who is a nonresident or is a resident of the State for only
36 a part of the year, the amount of the credit or refund allowed under this section shall
37 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
9 2002 interim as to the fiscal prudence of accelerating the phased-in increase of the
10 earned 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.