
By: **Delegates Shriver, Hixson, Heller, and Franchot**
Introduced and read first time: January 18, 2002
Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Credit for Child and Dependent Care Expenses**

3 FOR the purpose of altering the calculation of a certain credit allowed against the
4 State income tax for certain child and dependent care expenses; altering certain
5 income levels determining eligibility for the credit and the amount of the credit
6 allowed; making the credit refundable under certain circumstances; providing
7 for the application of this Act; and generally relating to the State income tax
8 credit for child and dependent care expenses.

9 BY repealing and reenacting, with amendments,
10 Article - Tax - General
11 Section 10-716
12 Annotated Code of Maryland
13 (1997 Replacement Volume and 2001 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 10-716.

18 (a) (1) In this section the following words have the meanings indicated.

19 (2) "Federal child and dependent care credit" means the child and
20 dependent care credit properly claimed by an individual for the taxable year under §
21 21 of the Internal Revenue Code.

22 (3) "Qualifying individual" means a qualifying individual within the
23 meaning of § 21(b) of the Internal Revenue Code.

24 (b) An individual whose federal adjusted gross income for the taxable year
25 does not exceed [\$50,000] \$70,000, or [\$25,000] \$35,000 in the case of a married
26 individual filing a separate return, may claim a credit against the State income tax as
27 provided in this section for expenses paid by the individual during the taxable year
28 for the care of a qualifying individual.

1 (c) Subject to subsection (d) of this section, the credit allowed under this
2 section equals [the lesser of]:

3 (1) [32.5%] 50% of the federal child and dependent care credit FOR A
4 TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2001 BUT BEFORE JANUARY 1, 2003;
5 [or

6 (2) the State income tax for the taxable year.]

7 (2) 60% OF THE FEDERAL CHILD AND DEPENDENT CARE CREDIT FOR A
8 TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2002 BUT BEFORE JANUARY 1, 2004;

9 (3) 70% OF THE FEDERAL CHILD AND DEPENDENT CARE CREDIT FOR A
10 TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2003 BUT BEFORE JANUARY 1, 2005;

11 (4) 80% OF THE FEDERAL CHILD AND DEPENDENT CARE CREDIT FOR A
12 TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2004 BUT BEFORE JANUARY 1, 2006;

13 (5) 90% OF THE FEDERAL CHILD AND DEPENDENT CARE CREDIT FOR A
14 TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2005 BUT BEFORE JANUARY 1, 2007;
15 AND

16 (6) 100% OF THE FEDERAL CHILD AND DEPENDENT CARE CREDIT FOR A
17 TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2006.

18 (d) (1) If an individual's federal adjusted gross income for the taxable year
19 exceeds [\$41,000] \$51,000, the credit otherwise allowed under this section shall be
20 reduced by [10%] 5% for each \$1,000 or fraction of \$1,000 by which the individual's
21 federal adjusted gross income exceeds [\$41,000] \$51,000.

22 (2) In the case of a married individual filing a separate return, if the
23 individual's federal adjusted gross income for the taxable year exceeds [\$20,500]
24 \$25,500, the credit otherwise allowed under this section shall be reduced by [10%] 5%
25 for each \$500 or fraction of \$500 by which the individual's federal adjusted gross
26 income exceeds [\$20,500] \$25,500.

27 (E) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE YEAR
28 EXCEEDS THE STATE INCOME TAX FOR THAT TAXABLE YEAR, CALCULATED BEFORE
29 THE APPLICATION OF THE CREDITS ALLOWED UNDER THIS SECTION AND §§ 10-701
30 AND 10-701.1 OF THIS SUBTITLE BUT AFTER APPLICATION OF THE OTHER CREDITS
31 UNDER THIS SUBTITLE, AN INDIVIDUAL MAY CLAIM A REFUND OF THE EXCESS
32 CREDIT.

33 [(e)] (F) The credit allowed under this section does not affect the treatment
34 under this title of any deduction or exclusion allowed under this title or allowed for
35 federal income tax purposes for expenses paid by the individual for the care of a
36 qualifying individual.

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
2 July 1, 2002 and shall be applicable to all taxable years beginning after December 31,
3 2001.