

SENATE BILL 553

Unofficial Copy  
Q3

2002 Regular Session  
2r1597  
CF 2r0588

---

By: **Senators Van Hollen, Currie, Forehand, Frosh, Lawlah, and McFadden**  
Introduced and read first time: February 1, 2002  
Assigned to: Budget and Taxation

---

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.

37 (G) IF AN INDIVIDUAL IS NOT REQUIRED TO FILE AN INCOME TAX RETURN  
38 UNDER § 10-805, § 10-806, OR § 10-813 OF THIS SUBTITLE, THE INDIVIDUAL:

1           (1)     IS NOT LIABLE FOR INCOME TAX; AND

2           (2)     MAY FILE AN INCOME TAX RETURN TO CLAIM A REFUND OF THE  
3 INCOME TAX WITHHELD OR ESTIMATED INCOME TAX PAID OR A REFUND UNDER §  
4 10-704 OR § 10-712 OF THIS TITLE.

5     SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
6 July 1, 2002 and shall be applicable to all taxable years beginning after December 31,  
7 2001.