
By: **Delegates Hixson, Frush, Gaines, Healey, Howard, Hubbard, Marriott,
Parker, Patterson, Pugh, Ramirez, and Ross**

Introduced and read first time: January 26, 2006

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Earned Income Credit - Refundable Amount**

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 the Maryland earned income credit under certain circumstances;
6 altering the calculation of a refundable county earned income credit if a county
7 provides a refundable county earned income credit; repealing certain obsolete
8 provisions of law; providing for the application of this Act; and generally relating
9 to the earned income credit allowed under the State income tax.

10 BY repealing and reenacting, with amendments,

11 Article - Tax - General

12 Section 10-704

13 Annotated Code of Maryland

14 (2004 Replacement Volume and 2005 Supplement)

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

17 **Article - Tax - General**

18 10-704.

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

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

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

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

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

4 (2) [(i)] An individual with one or more dependents that may be claimed
5 as exemptions may claim a refund in the amount, if any, by which [the applicable
6 percentage specified in subparagraph (ii) of this paragraph] 25% of the earned income
7 credit allowable FOR THE TAXABLE YEAR under § 32 of the Internal Revenue Code
8 exceeds the State income tax for the taxable year.

9 [(ii)] The applicable percentage of the earned income credit allowable
10 under § 32 of the Internal Revenue Code to be used for purposes of determining the
11 refund provided under this paragraph is:

12 1. 16% for a taxable year beginning after December 31, 2000
13 but before January 1, 2002;

14 2. 16% for a taxable year beginning after December 31, 2001
15 but before January 1, 2003;

16 3. 18% for a taxable year beginning after December 31, 2002
17 but before January 1, 2004; and

18 4. 20% for a taxable year beginning after December 31,
19 2003.]

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

23 (i) the earned income credit allowable for the taxable year under §
24 32 of the Internal Revenue Code multiplied by 10 times the county income tax rate for
25 the taxable year; or

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

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

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

34 (iii) If a county provides for a refundable county earned income
35 credit under this paragraph, an individual with one or more dependents that may be
36 claimed as exemptions may claim a refund of the amount, if any, by which the product
37 of multiplying the credit allowable FOR THE TAXABLE YEAR under § 32 of the Internal

1 Revenue Code by [the applicable number specified in subparagraph (iv) of this
2 paragraph] 5 times the county income tax rate for the taxable year exceeds the county
3 income tax for the taxable year.

4 (iv) [The applicable number to be multiplied by the county income
5 tax rate for purposes of determining a refund provided under this paragraph is:

6 1. 3.2 for a taxable year beginning after December 31, 2000
7 but before January 1, 2002;

8 2. 3.2 for a taxable year beginning after December 31, 2001
9 but before January 1, 2003;

10 3. 3.6 for a taxable year beginning after December 31, 2002
11 but before January 1, 2004; and

12 4. 4 for a taxable year beginning after December 31, 2003.

13 (v)] The amount of any refunds payable under a refundable county
14 earned income credit operates to reduce the income tax revenue from individuals
15 attributable to the county income tax for that county.

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

21 (1) the numerator of which is the Maryland adjusted gross income of the
22 individual; and

23 (2) the denominator of which is the federal adjusted gross income of the
24 individual.

25 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
26 July 1, 2006, and shall be applicable to all taxable years beginning after December 31,
27 2005.