

HOUSE BILL 223

Q3
HB 346/06 – W&M

7lr1256

By: **Delegates Hixson, Bartlett, Bohanan, Cardin, Doory, George, Howard, Ivey, Jennings, Kaiser, N. King, Krebs, Murphy, Olszewski, Rice, Ross, Stukes, and Walker**

Introduced and read first time: January 29, 2007
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
9 relating 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 2006 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.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

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

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

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

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

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

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

21 1. 16% for a taxable year beginning after December 31,
22 2000 but before January 1, 2002;

23 2. 16% for a taxable year beginning after December 31,
24 2001 but before January 1, 2003;

25 3. 18% for a taxable year beginning after December 31,
26 2002 but before January 1, 2004; and

27 4. 20% for a taxable year beginning after December 31,
28 2003.]

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

1 (i) the earned income credit allowable for the taxable year
2 under § 32 of the Internal Revenue Code multiplied by 10 times the county income tax
3 rate for 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
6 earned 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 **FOR THE TAXABLE YEAR** under § 32 of the
16 Internal Revenue Code by [the applicable number specified in subparagraph (iv) of
17 this paragraph] **5** times the county income tax rate for the taxable year exceeds the
18 county income tax 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 this paragraph
21 is:

22 1. 3.2 for a taxable year beginning after December 31,
23 2000 but before January 1, 2002;

24 2. 3.2 for a taxable year beginning after December 31,
25 2001 but before January 1, 2003;

26 3. 3.6 for a taxable year beginning after December 31,
27 2002 but before January 1, 2004; and

28 4. 4 for a taxable year beginning after December 31,
29 2003.

1 (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
5 only a part of the year, the amount of the credit or refund allowed under this section
6 shall be determined based on the part of the earned income credit allowable for the
7 taxable 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
10 the individual; and

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

13 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
14 July 1, 2007, and shall be applicable to all taxable years beginning after December 31,
15 2006.