

HOUSE BILL 534

Q3

71r0440

By: **Delegates Rosenberg and Kaiser**

Introduced and read first time: February 7, 2007

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Earned Income Tax Credit – Noncustodial Parent**

3 FOR the purpose of allowing certain individuals to claim an income tax credit in a
4 certain amount against the State income tax for earned income under certain
5 circumstances; providing for certain limitations on the credit; repealing certain
6 obsolete provisions; providing for the application of this Act; and generally
7 relating to a credit against the State income tax for certain earned income.

8 BY repealing and reenacting, without amendments,
9 Article – Tax – General
10 Section 10–704(a)
11 Annotated Code of Maryland
12 (2004 Replacement Volume and 2006 Supplement)

13 BY repealing and reenacting, with amendments,
14 Article – Tax – General
15 Section 10–704(b) and (c)
16 Annotated Code of Maryland
17 (2004 Replacement Volume and 2006 Supplement)

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

20 **Article – Tax – General**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 10-704.

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

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

8 (b) (1) Except as provided in [paragraph (2)] **PARAGRAPHS (2) AND (3)**
9 of this subsection and subject to subsection (d) of this section, the credit allowed
10 against the State income tax under subsection (a)(1) of this section is the lesser of:

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

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

14 **(2) (I) AN INDIVIDUAL DESCRIBED IN SUBPARAGRAPH (II) OF**
15 **THIS PARAGRAPH MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX FOR A**
16 **TAXABLE YEAR IN THE AMOUNT DETERMINED UNDER SUBPARAGRAPH (III) OF**
17 **THIS PARAGRAPH FOR EARNED INCOME.**

18 **(II) AN INDIVIDUAL IS ELIGIBLE FOR THE CREDIT UNDER**
19 **THIS PARAGRAPH IF THE INDIVIDUAL:**

20 **1. IS A RESIDENT;**

21 **2. IS AT LEAST 18 YEARS OLD ON THE LAST DAY OF**
22 **THE TAXABLE YEAR;**

23 **3. IS NOT OTHERWISE ELIGIBLE FOR THE CREDIT**
24 **UNDER PARAGRAPH (1) OF THIS SUBSECTION;**

25 **4. IS THE PARENT OF AT LEAST ONE CHILD UNDER**
26 **THE AGE OF 18 WITH WHOM THE INDIVIDUAL DOES NOT RESIDE;**

27 **5. IS MAKING CHILD SUPPORT PAYMENTS ON**
28 **BEHALF OF A CHILD OR CHILDREN UNDER A COURT ORDER; AND**

1 **6. HAS PAID CHILD SUPPORT PAYMENTS IN THE**
2 **TAXABLE YEAR IN AN AMOUNT AT LEAST EQUAL TO THE AMOUNT OF CURRENT**
3 **CHILD SUPPORT PAYMENTS DUE FOR EACH CHILD SUPPORT ORDER.**

4 **(III) THE CREDIT ALLOWED AGAINST THE STATE INCOME**
5 **TAX UNDER THIS PARAGRAPH IS THE LESSER OF:**

6 **1. 50% OF THE EARNED INCOME CREDIT THAT**
7 **WOULD HAVE BEEN ALLOWED TO THE INDIVIDUAL FOR THE TAXABLE YEAR**
8 **UNDER § 32 OF THE INTERNAL REVENUE CODE IF THE CHILD OR CHILDREN**
9 **DESCRIBED IN SUBPARAGRAPH (II)5 OF THIS PARAGRAPH SATISFIED THE**
10 **REQUIREMENTS FOR QUALIFYING CHILDREN UNDER § 32(C)(3) OF THE**
11 **INTERNAL REVENUE CODE, CALCULATED AS IF THE INDIVIDUAL HAD ONLY ONE**
12 **CHILD; OR**

13 **2. THE STATE INCOME TAX FOR THE TAXABLE YEAR.**

14 **(IV) THE CHILD SUPPORT ENFORCEMENT**
15 **ADMINISTRATION OF THE DEPARTMENT OF HUMAN RESOURCES AND THE**
16 **COMPTROLLER OF THE TREASURY JOINTLY SHALL ADOPT REGULATIONS TO**
17 **CERTIFY INDIVIDUALS FOR THE PURPOSES OF THE CREDIT UNDER THIS**
18 **PARAGRAPH.**

19 **[(2)] (3) [(i)]** An individual with one or more dependents that may
20 be claimed as exemptions may claim a refund in the amount, if any, by which [the
21 applicable percentage specified in subparagraph (ii) of this paragraph] **20%** of the
22 earned income credit allowable under § 32 of the Internal Revenue Code exceeds the
23 State income tax for the taxable year.

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

27 **1. 16% for a taxable year beginning after December 31,**
28 **2000 but before January 1, 2002;**

29 **2. 16% for a taxable year beginning after December 31,**
30 **2001 but before January 1, 2003;**

1 3. 18% for a taxable year beginning after December 31,
2 2002 but before January 1, 2004; and

3 4. 20% for a taxable year beginning after December 31,
4 2003.]

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

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

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

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

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

19 (iii) If a county provides for a refundable county earned income
20 credit under this paragraph, an individual with one or more dependents that may be
21 claimed as exemptions may claim a refund of the amount, if any, by which the product
22 of multiplying the credit allowable under § 32 of the Internal Revenue Code by [the
23 applicable number specified in subparagraph (iv) of this paragraph] 4 times the
24 county income tax rate for the taxable year exceeds the county income tax for the
25 taxable year.

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

29 1. 3.2 for a taxable year beginning after December 31,
30 2000 but before January 1, 2002;

31 2. 3.2 for a taxable year beginning after December 31,
32 2001 but before January 1, 2003;

