

HOUSE BILL 1059

C3, Q3

71r2432

By: **Delegates Mizeur, Beidle, Benson, Bobo, Bromwell, Donoghue, Dumais, Gutierrez, Hixson, Hubbard, Ivey, Kaiser, N. King, Kullen, Nathan-Pulliam, Pena-Melnyk, and Tarrant**

Introduced and read first time: February 9, 2007

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Family Health Care Affordability Act**

3 FOR the purpose of allowing certain individuals a certain credit against the State
4 income tax for health insurance premium contributions under certain
5 circumstances; establishing the amount of the credit; authorizing an individual
6 to claim a refund in a certain amount under certain circumstances; authorizing
7 certain individuals who are nonresidents or part-year residents a certain
8 fraction of the credit; providing for a certain reduction of itemized deductions if
9 a certain credit is claimed under certain circumstances; defining certain terms;
10 requiring the Comptroller, on or before a certain date, to report certain
11 information to the Maryland Insurance Administration; requiring the
12 Administration, on or before a certain date, to submit a certain report to the
13 Governor and the General Assembly; providing for the application of this Act;
14 and generally relating to a credit against the State income tax for health
15 insurance premium contributions.

16 BY repealing and reenacting, with amendments,
17 Article – Tax – General
18 Section 10–218
19 Annotated Code of Maryland
20 (2004 Replacement Volume and 2006 Supplement)

21 BY adding to
22 Article – Tax – General

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



Section 10-726
Annotated Code of Maryland
(2004 Replacement Volume and 2006 Supplement)

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

Article – Tax – General

10-218.

(a) Only an individual who itemizes deductions on the individual's federal income tax return may elect to itemize deductions on the individual's income tax return.

(b) An individual who elects to itemize deductions is allowed as a deduction the sum of the individual's federal itemized deductions:

(1) limited and reduced as required under the Internal Revenue Code;

(2) further reduced by an amount deducted under § 170 of the Internal Revenue Code for contributions of a preservation or conservation easement for which a credit is claimed under § 10-723 of this title; [and]

(3) FURTHER REDUCED BY THE LESSER OF:

**(I) THE AMOUNT DEDUCTED UNDER § 213 OF THE
INTERNAL REVENUE CODE FOR MEDICAL EXPENSES; OR**

**(II) THE AMOUNT OF THE CREDIT CLAIMED UNDER § 10-726
OF THIS TITLE FOR HEALTH INSURANCE PREMIUMS, DEDUCTIBLES,
CO-PAYMENTS, OR COINSURANCE PAYMENTS; AND**

[(3)] (4) further reduced by the amount claimed as taxes on income paid to a state or political subdivision of a state, after subtracting a pro rata portion of the reduction to itemized deductions required under § 68 of the Internal Revenue Code.

10-726.

1 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE
2 MEANINGS INDICATED.

3 (2) “APPLICABLE POVERTY INCOME LEVEL” MEANS THE AMOUNT
4 SPECIFIED IN THE POVERTY INCOME STANDARD THAT CORRESPONDS TO THE
5 NUMBER OF EXEMPTIONS THAT THE INDIVIDUAL IS ALLOWED AND CLAIMS
6 UNDER § 10-211(1) OF THIS TITLE.

7 (3) “ELIGIBLE TAXPAYER” MEANS AN INDIVIDUAL, OR AN
8 INDIVIDUAL AND THE INDIVIDUAL’S SPOUSE IF THEY FILE A JOINT INCOME TAX
9 RETURN:

10 (I) WHOSE FEDERAL ADJUSTED GROSS INCOME AS
11 MODIFIED UNDER §§ 10-204 THROUGH 10-206 OF THIS TITLE DOES NOT
12 EXCEED 400% OF THE APPLICABLE POVERTY INCOME LEVEL; AND

13 (II) WHO IS NOT CLAIMED AS AN EXEMPTION ON ANOTHER
14 INDIVIDUAL’S TAX RETURN UNDER § 10-211 OF THIS TITLE.

15 (4) “POVERTY INCOME STANDARD” MEANS THE MOST RECENT
16 POVERTY INCOME GUIDELINE PUBLISHED BY THE U.S. DEPARTMENT OF
17 HEALTH AND HUMAN SERVICES, AVAILABLE AS OF JULY 1 OF THE TAXABLE
18 YEAR.

19 (B) AN ELIGIBLE TAXPAYER MAY CLAIM A CREDIT AGAINST THE STATE
20 INCOME TAX FOR A TAXABLE YEAR IN THE AMOUNT DETERMINED UNDER
21 SUBSECTION (C) OF THIS SECTION.

22 (C) THE CREDIT ALLOWED AGAINST THE STATE INCOME TAX UNDER
23 SUBSECTION (B) OF THIS SECTION:

24 (1) EQUALS THE AMOUNT, IF ANY, BY WHICH THE ELIGIBLE
25 TAXPAYER’S HEALTH INSURANCE PREMIUM CONTRIBUTIONS, DEDUCTIBLES,
26 CO-PAYMENTS, AND COINSURANCE PAYMENTS FOR THE TAXABLE YEAR EXCEED
27 5% OF THE ELIGIBLE TAXPAYER’S FEDERAL ADJUSTED GROSS INCOME; AND

28 (2) MAY NOT EXCEED:

1 (I) \$1,000 FOR AN INDIVIDUAL WITH NO DEPENDENT
2 CHILDREN; OR

3 (II) \$2,000 FOR:

4 1. AN INDIVIDUAL AND SPOUSE FILING A JOINT
5 RETURN; OR

6 2. AN INDIVIDUAL WITH DEPENDENT CHILDREN.

7 (D) IF THE TAX CREDIT ALLOWED UNDER THIS SECTION IN ANY
8 TAXABLE YEAR EXCEEDS THE STATE TAX OTHERWISE PAYABLE BY THE
9 ELIGIBLE TAXPAYER FOR THAT TAXABLE YEAR, THE ELIGIBLE TAXPAYER MAY
10 CLAIM A REFUND IN THE AMOUNT OF THE EXCESS.

11 (E) OF THE AMOUNT DETERMINED UNDER SUBSECTIONS (C) AND (D) OF
12 THIS SECTION, AN ELIGIBLE TAXPAYER WHO IS A NONRESIDENT OR IS A
13 RESIDENT OF THE STATE FOR ONLY A PART OF THE YEAR IS ALLOWED ONLY A
14 FRACTION:

15 (1) THE NUMERATOR OF WHICH IS THE ELIGIBLE TAXPAYER'S
16 MARYLAND ADJUSTED GROSS INCOME; AND

17 (2) THE DENOMINATOR OF WHICH IS THE ELIGIBLE TAXPAYER'S
18 FEDERAL ADJUSTED GROSS INCOME.

19 (F) (1) ON OR BEFORE SEPTEMBER 1, 2008, AND EACH SEPTEMBER 1
20 THEREAFTER, THE COMPTROLLER SHALL REPORT TO THE MARYLAND
21 INSURANCE ADMINISTRATION REGARDING THE CREDIT UNDER THIS SECTION,
22 INCLUDING THE NUMBER OF ELIGIBLE TAXPAYERS WHO HAVE CLAIMED THE
23 CREDIT AND THE AMOUNT ALLOWED AS CREDITS.

24 (2) ON OR BEFORE DECEMBER 1, 2008, AND EACH DECEMBER 1
25 THEREAFTER, THE MARYLAND INSURANCE ADMINISTRATION SHALL REPORT
26 TO THE GOVERNOR AND, SUBJECT TO § 2-1246 OF THE STATE GOVERNMENT
27 ARTICLE, THE GENERAL ASSEMBLY, ON THE RELATIONSHIP BETWEEN THE
28 CREDITS REPORTED UNDER THIS SUBSECTION AND HEALTH INSURANCE RATE
29 ADJUSTMENTS APPROVED BY THE ADMINISTRATION.

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
2 July 1, 2007, and shall be applicable to all taxable years beginning after December 31,
3 2006.