

HOUSE BILL 1526

Q3

4lr3124

By: **Delegate Rosenberg**

Introduced and read first time: March 3, 2014

Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Earned Income Tax Credit – Calculation and Eligibility**

3 FOR the purpose of altering, for certain individuals, the calculation of a certain credit
4 allowed against the State income tax for certain earned income; providing for
5 the calculation of the credit under certain circumstances; authorizing certain
6 individuals to exclude certain amounts from a certain calculation; providing
7 that individuals with certain income in excess of a certain amount may not
8 claim the credit; defining certain terms; providing for the application of this Act;
9 and generally relating to the earned income tax credit.

10 BY repealing and reenacting, with amendments,
11 Article – Tax – General
12 Section 10–704, 10–706(c), and 10–709(a)(3)(iv), (c)(1), and (d)(1)
13 Annotated Code of Maryland
14 (2010 Replacement Volume and 2013 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) IN THIS SECTION THE FOLLOWING WORDS HAVE THE
20 MEANINGS INDICATED.

21 (2) “EARNED INCOME” HAS THE MEANING STATED IN § 32(C)(2)
22 OF THE INTERNAL REVENUE CODE.

23 (3) “QUALIFIED SPOUSE” MEANS AN INDIVIDUAL WHO:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 **(I) IS MARRIED;**
2 **(II) HAS AT LEAST ONE QUALIFYING CHILD; AND**
3 **(III) WORKS AT LEAST 1,000 HOURS DURING A TAXABLE**
4 **YEAR.**

5 **(4) “QUALIFIED WORKING INDIVIDUAL” MEANS AN INDIVIDUAL**
6 **WHO:**

7 **(I) IS AT LEAST 21 YEARS OLD BUT NOT OLDER THAN 39**
8 **YEARS OLD;**

9 **(II) DOES NOT HAVE A QUALIFYING CHILD; AND**

10 **(III) WORKS AT LEAST 1,500 HOURS DURING THE TAXABLE**
11 **YEAR.**

12 **(5) “QUALIFYING CHILD” HAS THE MEANING STATED IN §**
13 **32(C)(3) OF THE INTERNAL REVENUE CODE.**

14 **(B) (1)** An individual may claim a credit against the State income tax for a
15 taxable year in the amount determined under subsection **[(b)] (C)** of this section for
16 earned income.

17 **(2)** An individual may claim a credit against the county income tax for
18 a taxable year in the amount determined under subsection **[(c)] (D)** of this section for
19 earned income.

20 **[(b)] (C) (1)** Except as provided in **[paragraph (2) of]** this subsection and
21 subject to **[subsection (d)] SUBSECTIONS (E), (F), AND (G)** of this section, the credit
22 allowed against the State income tax under subsection **[(a)(1)] (B)(1)** of this section is
23 the lesser of:

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

26 **(ii)** the State income tax for the taxable year.

27 **(2)** An individual may claim a refund in the amount, if any, by which
28 25% of the earned income credit allowable for the taxable year under § 32 of the
29 Internal Revenue Code exceeds the State income tax for the taxable year.

1 **(3) FOR PURPOSES OF CALCULATING THE CREDIT UNDER**
2 **PARAGRAPH (1) OF THIS SUBSECTION, THE AMOUNT OF THE CREDIT IS EQUAL**
3 **TO 50% OF THE CREDIT AUTHORIZED UNDER § 32 OF THE INTERNAL REVENUE**
4 **CODE CALCULATED AS IF THE INDIVIDUAL IS AN INDIVIDUAL WITH ONE**
5 **QUALIFYING CHILD FOR THE FOLLOWING INDIVIDUALS:**

6 **(I) A QUALIFIED SPOUSE;**

7 **(II) A QUALIFIED WORKING INDIVIDUAL; AND**

8 **(III) AN INDIVIDUAL WITH A QUALIFYING CHILD THAT IS AT**
9 **LEAST 6 YEARS OLD.**

10 **(4) FOR PURPOSES OF CALCULATING THE CREDIT UNDER**
11 **PARAGRAPH (1) OF THIS SUBSECTION, FOR AN INDIVIDUAL WITH A QUALIFYING**
12 **CHILD THAT IS AT LEAST 3 YEARS OLD BUT NOT OLDER THAN 5 YEARS OLD, THE**
13 **AMOUNT OF THE CREDIT IS EQUAL TO 75% OF THE CREDIT AUTHORIZED UNDER**
14 **§ 32 OF THE INTERNAL REVENUE CODE CALCULATED AS IF THE INDIVIDUAL IS**
15 **AN INDIVIDUAL WITH ONE QUALIFYING CHILD.**

16 **(5) FOR PURPOSES OF CALCULATING THE CREDIT UNDER**
17 **PARAGRAPH (1) OF THIS SUBSECTION, FOR AN INDIVIDUAL WITH A QUALIFYING**
18 **CHILD THAT IS NOT OLDER THAN 2 YEARS OLD, THE AMOUNT OF THE CREDIT IS**
19 **EQUAL TO 100% OF THE CREDIT AUTHORIZED UNDER § 32 OF THE INTERNAL**
20 **REVENUE CODE CALCULATED AS IF THE INDIVIDUAL IS AN INDIVIDUAL WITH**
21 **ONE QUALIFYING CHILD.**

22 **[(c)] (D)** (1) Except as provided in paragraph (2) of this subsection and
23 subject to subsection **[(d)] (E)** of this section, the credit allowed against the county
24 income tax under subsection **[(a)(2)] (B)(2)** of this section is the lesser of:

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

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

29 (2) (i) A county may provide, by law, for a refundable county
30 earned income credit as provided in this paragraph.

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

1 (iii) If a county provides for a refundable county earned income
2 credit under this paragraph, an individual may claim a refund of the amount, if any,
3 by which the product of multiplying the credit allowable for the taxable year under §
4 32 of the Internal Revenue Code by 5 times the county income tax rate for the taxable
5 year exceeds the county income tax for the taxable year.

6 (iv) The amount of any refunds payable under a refundable
7 county earned income credit operates to reduce the income tax revenue from
8 individuals attributable to the county income tax for that county.

9 **[(d)] (E)** For an individual who is a nonresident or is a resident of the State
10 for only a part of the year, the amount of the credit or refund allowed under this
11 section shall be determined based on the part of the earned income credit allowable for
12 the taxable year under § 32 of the Internal Revenue Code that is attributable to
13 Maryland, determined by multiplying the federal earned income credit by a fraction:

14 (1) the numerator of which is the Maryland adjusted gross income of
15 the individual; and

16 (2) the denominator of which is the federal adjusted gross income of
17 the individual.

18 **(F) FOR PURPOSES OF CALCULATING THE CREDIT AUTHORIZED UNDER**
19 **THIS SECTION, AN INDIVIDUAL FILING A JOINT RETURN MAY CALCULATE THE**
20 **INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME OR EARNED INCOME**
21 **WITHOUT REGARD TO THE FEDERAL ADJUSTED GROSS INCOME OR EARNED**
22 **INCOME OF THE INDIVIDUAL'S QUALIFIED SPOUSE.**

23 **(G) A QUALIFIED SPOUSE OR QUALIFIED WORKING INDIVIDUAL MAY**
24 **NOT CLAIM THE CREDIT UNDER THIS SECTION IF THE QUALIFIED SPOUSE OR**
25 **QUALIFIED WORKING INDIVIDUAL HAS FEDERAL ADJUSTED GROSS INCOME OR**
26 **EARNED INCOME THAT IS EQUAL TO OR GREATER THAN 200% OF THE FEDERAL**
27 **POVERTY INCOME GUIDELINES.**

28 10-706.

29 (c) (1) A credit allowed under § [10-704(a)(1)] **10-704(B)(1)** or §
30 10-709(b)(1) of this subtitle is allowed against the State income tax only.

31 (2) A credit allowed under § [10-704(a)(2)] **10-704(B)(2)** or §
32 10-709(b)(2) of this subtitle is allowed against the county income tax only.

33 10-709.

34 (a) (3) "Eligible low income taxpayer" means an individual, or an
35 individual and the individual's spouse if they file a joint income tax return:

1 (iv) for whom the credit allowed under § [10-704(a)(1)]
2 **10-704(B)(1)** of this subtitle is less than the State income tax.

3 (c) Except as provided in subsection (e) of this section, the credit allowed
4 against the State income tax under subsection (b)(1) of this section equals the lesser of:

5 (1) the State income tax determined after subtracting the credit
6 allowed under § [10-704(b)(1)] **10-704(C)** of this subtitle; or

7 (d) Except as provided in subsection (e) of this section, the credit allowed
8 against the county income tax under subsection (b)(2) of this section equals the lesser
9 of:

10 (1) the county income tax determined after subtracting the credit
11 allowed under § [10-704(c)] **10-704(D)** of this subtitle; or

12 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
13 July 1, 2014, and shall be applicable to all taxable years beginning after December 31,
14 2013.