

SENATE BILL 840

Q3

6lr3430
CF HB 1253

By: **The President (By Request – Maryland Economic Development and Business Climate Commission)**

Introduced and read first time: February 5, 2016

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 18, 2016

CHAPTER _____

1 AN ACT concerning

2 **Income Tax – Rates, Personal Exemptions, and Earned Income Tax Credit –**
3 **Refundability**

4 FOR the purpose of ~~altering the percentage of the federal earned income credit used for~~
5 ~~determining the amount that certain individuals may claim as a refund under the~~
6 ~~Maryland earned income credit under certain circumstances;~~ altering certain State
7 income tax rates for certain taxable years; altering the amount of certain exemptions
8 allowed under the State income tax for certain taxable years; altering the calculation
9 of the Maryland earned income tax credit to increase the amount of credit that
10 certain individuals without qualifying children may claim; expanding eligibility of
11 the credit to allow certain individuals without certain qualifying children to claim
12 the credit; allowing certain individuals to claim a refund of the credit; allowing an
13 individual to claim the credit without regard to a certain age limitation; providing
14 that the amount of the credit is adjusted for inflation each year; declaring the intent
15 of the General Assembly; providing for the application of this Act; providing for a
16 delayed effective date for certain provisions of this Act; and generally relating to the
17 ~~earned income credit allowed under the State income tax~~ State individual income
18 tax.

19 ~~BY repealing and reenacting, without amendments,~~
20 ~~Article – Tax – General~~
21 ~~Section 10 – 704(a) and (b)(1)~~
22 ~~Annotated Code of Maryland~~
23 ~~(2010 Replacement Volume and 2015 Supplement)~~

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 ~~BY repealing and reenacting, with amendments,~~
 2 ~~Article – Tax – General~~
 3 ~~Section 10–704(b)(2)~~
 4 ~~Annotated Code of Maryland~~
 5 ~~(2010 Replacement Volume and 2015 Supplement)~~

6 BY repealing and reenacting, with amendments,
 7 Article – Tax – General
 8 Section 10–105(a), 10–211(a)(1), and 10–704
 9 Annotated Code of Maryland
 10 (2010 Replacement Volume and 2015 Supplement)

11 BY repealing and reenacting, with amendments,
 12 Article – Tax – General
 13 Section 10–105(a)
 14 Annotated Code of Maryland
 15 (2010 Replacement Volume and 2015 Supplement)
 16 (As enacted by Section 1 of this Act)

17 BY repealing and reenacting, with amendments,
 18 Article – Tax – General
 19 Section 10–105(a)
 20 Annotated Code of Maryland
 21 (2010 Replacement Volume and 2015 Supplement)
 22 (As enacted by Section 2 of this Act)

23 BY repealing and reenacting, with amendments,
 24 Article – Tax – General
 25 Section 10–105(a)
 26 Annotated Code of Maryland
 27 (2010 Replacement Volume and 2015 Supplement)
 28 (As enacted by Section 3 of this Act)

29 BY repealing and reenacting, with amendments,
 30 Article – Tax – General
 31 Section 10–105(a)
 32 Annotated Code of Maryland
 33 (2010 Replacement Volume and 2015 Supplement)
 34 (As enacted by Section 4 of this Act)

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

37 **Article – Tax – General**

38 10–105.

1 (a) (1) For A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2015, BUT
2 BEFORE JANUARY 1, 2017, FOR an individual other than an individual described in
3 paragraph (2) of this subsection, the State income tax rate is:

4 (i) 2% of Maryland taxable income of \$1 through \$1,000;

5 (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;

6 (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;

7 (iv) 4.75% of Maryland taxable income of \$3,001 through \$100,000;

8 (v) [5%] 4.975% of Maryland taxable income of \$100,001 through
9 \$125,000;

10 (vi) [5.25%] 5.20% of Maryland taxable income of \$125,001 through
11 \$150,000;

12 (vii) [5.5%] 5.45% of Maryland taxable income of \$150,001 through
13 \$250,000; and

14 (viii) [5.75%] 5.725% of Maryland taxable income in excess of
15 \$250,000.

16 (2) For A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2015, BUT
17 BEFORE JANUARY 1, 2017, FOR spouses filing a joint return or for a surviving spouse or
18 head of household as defined in § 2 of the Internal Revenue Code, the State income tax rate
19 is:

20 (i) 2% of Maryland taxable income of \$1 through \$1,000;

21 (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;

22 (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;

23 (iv) 4.75% of Maryland taxable income of \$3,001 through \$150,000;

24 (v) [5%] 4.975% of Maryland taxable income of \$150,001 through
25 \$175,000;

26 (vi) [5.25%] 5.20% of Maryland taxable income of \$175,001 through
27 \$225,000;

28 (vii) [5.5%] 5.45% of Maryland taxable income of \$225,001 through
29 \$300,000; and

(viii) [5.75%] 5.725% of Maryland taxable income in excess of \$300,000.

10-211.

(a) Except as provided in subsection (b) of this section, whether or not a federal return is filed, to determine Maryland taxable income, an individual other than a fiduciary may deduct as an exemption:

(1) **(I) [\$3,200] FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2015, BUT BEFORE JANUARY 1, 2017, \$3,250** for each exemption that the individual may deduct in the taxable year to determine federal taxable income under § 151 of the Internal Revenue Code;

(II) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2016, BUT BEFORE JANUARY 1, 2018, \$3,300 FOR EACH EXEMPTION THAT THE INDIVIDUAL MAY DEDUCT IN THE TAXABLE YEAR TO DETERMINE FEDERAL TAXABLE INCOME UNDER § 151 OF THE INTERNAL REVENUE CODE;

(III) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2017, BUT BEFORE JANUARY 1, 2019, \$3,350 FOR EACH EXEMPTION THAT THE INDIVIDUAL MAY DEDUCT IN THE TAXABLE YEAR TO DETERMINE FEDERAL TAXABLE INCOME UNDER § 151 OF THE INTERNAL REVENUE CODE; AND

(IV) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2018, \$3,400 FOR EACH EXEMPTION THAT THE INDIVIDUAL MAY DEDUCT IN THE TAXABLE YEAR TO DETERMINE FEDERAL TAXABLE INCOME UNDER § 151 OF THE INTERNAL REVENUE CODE;

10-704.

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

(2) A resident may claim a credit against the county income tax for a taxable year in the amount determined under subsection (c) of this section for earned income.

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

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

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

2 (2) (i) Subject to subsection (d) of this section, a resident may claim a
3 refund in the amount, if any, by which the applicable percentage specified in subparagraph
4 (ii) of this paragraph of the earned income credit allowable for the taxable year under § 32
5 of the Internal Revenue Code exceeds the State income tax for the taxable year.

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

9 1. 25% for a taxable year beginning after December 31, 2013,
10 but before January 1, 2015;

11 2. 25.5% for a taxable year beginning after December 31,
12 2014, but before January 1, 2016; ~~AND~~

13 3. ~~[26%]~~~~28%~~ for a taxable year beginning after December
14 31, 2015~~],~~ but before January 1, 2017;

15 4. 27% for a taxable year beginning after December 31, 2016,
16 but before January 1, 2018; and

17 5. 28% for a taxable year beginning after December 31,
18 2017~~].~~

19 **(3) (I) THE CREDIT ALLOWED AGAINST THE STATE INCOME TAX**
20 **UNDER SUBSECTION (A)(1) OF THIS SECTION FOR AN INDIVIDUAL WITHOUT A**
21 **QUALIFYING CHILD:**

22 **1. A. FOR A TAXABLE YEAR BEGINNING AFTER**
23 **DECEMBER 31, 2015, BUT BEFORE JANUARY 1, 2017, IS EQUAL TO 75% OF THE**
24 **EARNED INCOME CREDIT ALLOWABLE FOR THE TAXABLE YEAR UNDER § 32 OF THE**
25 **INTERNAL REVENUE CODE; AND**

26 **B. FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER**
27 **31, 2016, IS EQUAL TO 100% OF THE EARNED INCOME CREDIT ALLOWABLE FOR THE**
28 **TAXABLE YEAR UNDER § 32 OF THE INTERNAL REVENUE CODE; AND**

29 **2. IS CALCULATED BY SUBSTITUTING:**

30 **A. \$6,610 FOR THE EARNED INCOME AMOUNT IN**
31 **§ 32(B)(2)(A) OF THE INTERNAL REVENUE CODE; AND**

1 B. \$16,900 FOR THE PHASE-OUT AMOUNT IN
2 § 32(B)(2)(A) OF THE INTERNAL REVENUE CODE.

3 (II) IF THE TAX CREDIT ALLOWED UNDER THIS PARAGRAPH IN
4 ANY TAXABLE YEAR EXCEEDS THE TOTAL TAX OTHERWISE PAYABLE BY THE
5 INDIVIDUAL WITHOUT A QUALIFYING CHILD FOR THAT TAXABLE YEAR, THE
6 INDIVIDUAL MAY CLAIM A REFUND IN THE AMOUNT OF THE EXCESS.

7 (III) 1. FOR EACH TAXABLE YEAR BEGINNING AFTER
8 DECEMBER 31, 2016, THE EARNED INCOME AMOUNT AND PHASE-OUT AMOUNT IN
9 SUBPARAGRAPH (I)2 OF THIS PARAGRAPH SHALL BE INCREASED BY AN AMOUNT
10 EQUAL TO THE PRODUCT OF MULTIPLYING EACH AMOUNT BY THE COST-OF-LIVING
11 ADJUSTMENT SPECIFIED IN SUBSUBPARAGRAPH 2 OF THIS SUBPARAGRAPH.

12 2. FOR PURPOSES OF THIS SUBPARAGRAPH, THE
13 COST-OF-LIVING ADJUSTMENT IS THE COST-OF-LIVING ADJUSTMENT WITHIN THE
14 MEANING OF § 1(F)(3) OF THE INTERNAL REVENUE CODE FOR THE CALENDAR YEAR
15 IN WHICH A TAXABLE YEAR BEGINS, AS DETERMINED BY THE COMPTROLLER BY
16 SUBSTITUTING “CALENDAR YEAR 2015” FOR “CALENDAR YEAR 1992” IN § 1(F)(3)(B)
17 OF THE INTERNAL REVENUE CODE.

18 3. IF ANY INCREASE DETERMINED UNDER
19 SUBSUBPARAGRAPH 1 OF THIS SUBPARAGRAPH IS NOT A MULTIPLE OF \$50, THE
20 INCREASE SHALL BE ROUNDED DOWN TO THE NEXT LOWEST MULTIPLE OF \$50.

21 (IV) FOR PURPOSES OF THIS SECTION FOR AN INDIVIDUAL
22 WITHOUT A QUALIFYING CHILD, THE CREDIT ALLOWABLE FOR A TAXABLE YEAR
23 UNDER § 32 OF THE INTERNAL REVENUE CODE IS CALCULATED WITHOUT REGARD
24 TO THE MINIMUM AGE REQUIREMENT UNDER § 32(C)(1)(A)(II)(II) OF THE
25 INTERNAL REVENUE CODE.

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

29 (i) the earned income credit allowable for the taxable year under
30 § 32 of the Internal Revenue Code multiplied by 10 times the county income tax rate for
31 the taxable year; or

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

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

1 (v) [4.975%] 4.95% of Maryland taxable income of \$100,001 through
 2 \$125,000;

3 (vi) [5.20%] 5.15% of Maryland taxable income of \$125,001 through
 4 \$150,000;

5 (vii) [5.45%] 5.40% of Maryland taxable income of \$150,001 through
 6 \$250,000; and

7 (viii) [5.725%] 5.70% of Maryland taxable income in excess of
 8 \$250,000.

9 (2) For a taxable year beginning after December 31, [2015] 2016, but
 10 before January 1, [2017] 2018, for spouses filing a joint return or for a surviving spouse or
 11 head of household as defined in § 2 of the Internal Revenue Code, the State income tax rate
 12 is:

13 (i) 2% of Maryland taxable income of \$1 through \$1,000;

14 (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;

15 (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;

16 (iv) 4.75% of Maryland taxable income of \$3,001 through \$150,000;

17 (v) [4.975%] 4.95% of Maryland taxable income of \$150,001 through
 18 \$175,000;

19 (vi) [5.20%] 5.15% of Maryland taxable income of \$175,001 through
 20 \$225,000;

21 (vii) [5.45%] 5.40% of Maryland taxable income of \$225,001 through
 22 \$300,000; and

23 (viii) [5.725%] 5.70% of Maryland taxable income in excess of
 24 \$300,000.

25 SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland read
 26 as follows:

27 Article – Tax – General

28 10–105.

1 (a) (1) For a taxable year beginning after December 31, [2016] 2017, but
2 before January 1, [2018] 2019, for an individual other than an individual described in
3 paragraph (2) of this subsection, the State income tax rate is:

4 (i) 2% of Maryland taxable income of \$1 through \$1,000;

5 (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;

6 (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;

7 (iv) 4.75% of Maryland taxable income of \$3,001 through \$100,000;

8 (v) [4.95%] 4.925% of Maryland taxable income of \$100,001
9 through \$125,000;

10 (vi) [5.15%] 5.10% of Maryland taxable income of \$125,001 through
11 \$150,000;

12 (vii) [5.40%] 5.35% of Maryland taxable income of \$150,001 through
13 \$250,000; and

14 (viii) [5.70%] 5.675% of Maryland taxable income in excess of
15 \$250,000.

16 (2) For a taxable year beginning after December 31, [2016] 2017, but
17 before January 1, [2018] 2019, for spouses filing a joint return or for a surviving spouse or
18 head of household as defined in § 2 of the Internal Revenue Code, the State income tax rate
19 is:

20 (i) 2% of Maryland taxable income of \$1 through \$1,000;

21 (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;

22 (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;

23 (iv) 4.75% of Maryland taxable income of \$3,001 through \$150,000;

24 (v) [4.95%] 4.925% of Maryland taxable income of \$150,001
25 through \$175,000;

26 (vi) [5.15%] 5.10% of Maryland taxable income of \$175,001 through
27 \$225,000;

28 (vii) [5.40%] 5.35% of Maryland taxable income of \$225,001 through
29 \$300,000; and

- 1 (v) [4.925%] 4.90% of Maryland taxable income of \$150,001 through
- 2 \$175,000;
- 3 (vi) [5.10%] 5.05% of Maryland taxable income of \$175,001 through
- 4 \$225,000;
- 5 (vii) [5.35%] 5.30% of Maryland taxable income of \$225,001 through
- 6 \$300,000; and
- 7 (viii) [5.675%] 5.65% of Maryland taxable income in excess of
- 8 \$300,000.

9 SECTION 5. AND BE IT FURTHER ENACTED, That the Laws of Maryland read
 10 as follows:

11 Article – Tax – General

12 10–105.

13 (a) (1) [For a taxable year beginning after December 31, 2018, but before
 14 January 1, 2020, for] FOR an individual other than an individual described in paragraph
 15 (2) of this subsection, the State income tax rate is:

- 16 (i) 2% of Maryland taxable income of \$1 through \$1,000;
- 17 (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;
- 18 (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;
- 19 (iv) 4.75% of Maryland taxable income of \$3,001 through \$100,000;
- 20 (v) [4.90%] 4.875% of Maryland taxable income of \$100,001
- 21 through \$125,000;
- 22 (vi) [5.05%] 5.00% of Maryland taxable income of \$125,001 through
- 23 \$150,000;
- 24 (vii) [5.30%] 5.25% of Maryland taxable income of \$150,001 through
- 25 \$250,000; and
- 26 (viii) [5.65%] 5.60% of Maryland taxable income in excess of
- 27 \$250,000.

1 (2) [For a taxable year beginning after December 31, 2018, but before
 2 January 1, 2020, for] FOR spouses filing a joint return or for a surviving spouse or head of
 3 household as defined in § 2 of the Internal Revenue Code, the State income tax rate is:

4 (i) 2% of Maryland taxable income of \$1 through \$1,000;

5 (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;

6 (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;

7 (iv) 4.75% of Maryland taxable income of \$3,001 through \$150,000;

8 (v) [4.90%] 4.875% of Maryland taxable income of \$150,001
 9 through \$175,000;

10 (vi) [5.05%] 5.00% of Maryland taxable income of \$175,001 through
 11 \$225,000;

12 (vii) [5.30%] 5.25% of Maryland taxable income of \$225,001 through
 13 \$300,000; and

14 (viii) [5.65%] 5.60% of Maryland taxable income in excess of
 15 \$300,000.

16 SECTION 6. AND BE IT FURTHER ENACTED, That it is the intent of the General
 17 Assembly that if the revised estimate of total General Fund revenues for the fiscal year in
 18 which the budget bill is being prepared, as reflected in the report of estimated State
 19 revenues submitted by the Board of Revenue Estimates to the Governor under § 6-106(b)
 20 of the State Finance and Procurement Article in December of that fiscal year, exceeds the
 21 estimate for the prior December by less than 2%, the income tax rates in effect for the next
 22 taxable year shall remain unchanged from the previous taxable year.

23 SECTION 7. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall take
 24 effect July 1, 2017.

25 SECTION 8. AND BE IT FURTHER ENACTED, That Section 3 of this Act shall take
 26 effect July 1, 2018.

27 SECTION 9. AND BE IT FURTHER ENACTED, That Section 4 of this Act shall take
 28 effect July 1, 2019.

29 SECTION 10. AND BE IT FURTHER ENACTED, That Section 5 of this Act shall
 30 take effect July 1, 2020, and shall be applicable to all taxable years beginning after
 31 December 31, 2019.

1 SECTION ~~2~~ 11. AND BE IT FURTHER ENACTED, That, except as provided in
2 Sections 7, 8, 9, and 10 of this Act, this Act shall take effect July 1, 2016.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.