

Chapter 612

(House Bill 856)

AN ACT concerning

**Earned Income Tax Credit – Individuals Without Qualifying Children –
~~Expansion Alteration~~ Repeal of Minimum Age Requirement**

FOR the purpose of altering ~~the calculation of~~ the Maryland earned income tax credit to ~~increase the amount of credit that certain individuals without qualifying children may claim; expanding eligibility of the credit to allow certain individuals who are at least a certain age and~~ without certain qualifying children to claim the credit; ~~allowing certain individuals to claim a refund of the credit; allowing certain individuals to claim the credit without regard to a certain age limitation; providing that the amount of the credit that may be claimed by certain individuals is adjusted for inflation each year;~~ providing for the application of this Act; making this Act contingent on the taking effect of another Act; and generally relating to the Maryland earned income tax credit.

BY repealing and reenacting, with amendments,
 Article – Tax – General
 Section 10–704
 Annotated Code of Maryland
 (2016 Replacement Volume and 2017 Supplement)

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

Article – Tax – General

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

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

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

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

1. 25% for a taxable year beginning after December 31, 2013, but before January 1, 2015;
2. 25.5% for a taxable year beginning after December 31, 2014, but before January 1, 2016;
3. 26% for a taxable year beginning after December 31, 2015, but before January 1, 2017;
4. 27% for a taxable year beginning after December 31, 2016, but before January 1, 2018; and
5. 28% for a taxable year beginning after December 31, 2017.

~~(3) (i) THE CREDIT ALLOWED AGAINST THE STATE INCOME TAX UNDER SUBSECTION (A)(1) OF THIS SECTION FOR AN INDIVIDUAL WITHOUT A QUALIFYING CHILD:~~

~~1. IS EQUAL TO 100% OF THE EARNED INCOME CREDIT ALLOWABLE FOR THE TAXABLE YEAR UNDER § 32 OF THE INTERNAL REVENUE CODE; AND~~

~~2. IS CALCULATED BY SUBSTITUTING:~~

~~A. \$6,670 FOR THE EARNED INCOME AMOUNT IN § 32(B)(2)(A) OF THE INTERNAL REVENUE CODE; AND~~

~~B. \$17,400 FOR THE PHASE-OUT AMOUNT IN § 32(B)(2)(A) OF THE INTERNAL REVENUE CODE.~~

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

~~(III) 1. FOR EACH TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2018, THE EARNED INCOME AMOUNT AND PHASE OUT AMOUNT IN SUBPARAGRAPH (I)2 OF THIS PARAGRAPH SHALL BE INCREASED BY AN AMOUNT EQUAL TO THE PRODUCT OF MULTIPLYING EACH AMOUNT BY THE COST OF LIVING ADJUSTMENT SPECIFIED IN SUBSUBPARAGRAPH 2 OF THIS SUBPARAGRAPH.~~

~~2. FOR PURPOSES OF THIS SUBPARAGRAPH, THE COST OF LIVING ADJUSTMENT IS THE COST OF LIVING ADJUSTMENT WITHIN THE MEANING OF § 1(F)(3) OF THE INTERNAL REVENUE CODE FOR THE CALENDAR YEAR IN WHICH A TAXABLE YEAR BEGINS, AS DETERMINED BY THE COMPTROLLER BY SUBSTITUTING “CALENDAR YEAR 2017” FOR “CALENDAR YEAR 1992” IN § 1(F)(3)(B) OF THE INTERNAL REVENUE CODE.~~

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

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

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

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

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

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

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

(iii) If a county provides for a refundable county earned income credit under this paragraph, a resident may claim a refund of the amount, if any, by which the product of multiplying the credit allowable for the taxable year under § 32 of the Internal

Revenue Code by 5 times the county income tax rate for the taxable year exceeds the county income tax for the taxable year.

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

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

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

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

SECTION 2. AND BE IT FURTHER ENACTED, That this Act ~~shall take effect July 1, 2018, and~~ shall be applicable to all taxable years beginning after December 31, 2017.

SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2018, contingent on the taking effect of Chapter _____ (S.B. 318) of the Acts of the General Assembly of 2018, and if Chapter _____ (S.B. 318) does not become effective, this Act, with no further action required by the General Assembly, shall be null and void.

Approved by the Governor, May 15, 2018.