

HOUSE BILL 856

Q3
HB 2/17 – W&M

8lr3081
CF SB 647

By: **Delegates Hixson, Angel, B. Barnes, Beitzel, Brooks, Clippinger, Ebersole, Fennell, Gibson, Gutierrez, Healey, Hettleman, C. Howard, Jackson, Jalisi, Jones, Kaiser, Lafferty, Lam, J. Lewis, R. Lewis, Lierman, Luedtke, McCray, McIntosh, A. Miller, Moon, Mosby, Patterson, Pena–Melnik, Pendergrass, Platt, Proctor, Reznik, Sanchez, Sophocleus, Stein, Sydnor, Tarlau, Turner, Valentino–Smith, Waldstreicher, M. Washington, Wilkins, ~~and P. Young~~ P. Young, Ali, D. Barnes, Hornberger, Walker, and A. Washington**

Introduced and read first time: February 2, 2018

Assigned to: Ways and Means

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 13, 2018

CHAPTER _____

1 AN ACT concerning

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

4 FOR the purpose of altering ~~the calculation of~~ the Maryland earned income tax credit to
5 ~~increase the amount of credit that certain individuals without qualifying children~~
6 ~~may claim; expanding eligibility of the credit to allow certain individuals who are at~~
7 ~~least a certain age and without certain qualifying children to claim the credit;~~
8 ~~allowing certain individuals to claim a refund of the credit; allowing certain~~
9 ~~individuals to claim the credit without regard to a certain age limitation; providing~~
10 ~~that the amount of the credit that may be claimed by certain individuals is adjusted~~
11 ~~for inflation each year; providing for the application of this Act; and generally~~
12 relating to the Maryland earned income tax credit.

13 BY repealing and reenacting, with amendments,
14 Article – Tax – General
15 Section 10–704
16 Annotated Code of Maryland
17 (2016 Replacement Volume and 2017 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 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
2 That the Laws of Maryland read as follows:

3 **Article – Tax – General**

4 10–704.

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

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

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

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

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

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

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

23 1. 25% for a taxable year beginning after December 31, 2013,
24 but before January 1, 2015;

25 2. 25.5% for a taxable year beginning after December 31,
26 2014, but before January 1, 2016;

27 3. 26% for a taxable year beginning after December 31, 2015,
28 but before January 1, 2017;

29 4. 27% for a taxable year beginning after December 31, 2016,
30 but before January 1, 2018; and

31 5. 28% for a taxable year beginning after December 31, 2017.

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

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

7 ~~2. IS CALCULATED BY SUBSTITUTING:~~

8 ~~A. \$6,670 FOR THE EARNED INCOME AMOUNT IN~~
9 ~~§ 32(B)(2)(A) OF THE INTERNAL REVENUE CODE; AND~~

10 ~~B. \$17,400 FOR THE PHASE OUT AMOUNT IN~~
11 ~~§ 32(B)(2)(A) OF THE INTERNAL REVENUE CODE.~~

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

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

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

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

30 ~~(iv) FOR PURPOSES OF THIS SECTION FOR AN INDIVIDUAL~~
31 ~~WITHOUT A QUALIFYING CHILD, THE CREDIT ALLOWABLE FOR A TAXABLE YEAR~~
32 ~~UNDER § 32 OF THE INTERNAL REVENUE CODE IS CALCULATED WITHOUT REGARD~~
33 ~~TO BY SUBSTITUTING AGE 21 FOR THE MINIMUM AGE REQUIREMENT UNDER §~~
34 ~~32(C)(1)(A)(ii)(II) OF THE INTERNAL REVENUE CODE.~~

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

4 (i) the earned income credit allowable for the taxable year under
5 § 32 of the Internal Revenue Code multiplied by 10 times the county income tax rate for
6 the taxable year; or

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

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

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

14 (iii) If a county provides for a refundable county earned income credit
15 under this paragraph, a resident may claim a refund of the amount, if any, by which the
16 product of multiplying the credit allowable for the taxable year under § 32 of the Internal
17 Revenue Code by 5 times the county income tax rate for the taxable year exceeds the county
18 income tax for the taxable year.

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

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

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

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

31 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
32 1, 2018, and shall be applicable to all taxable years beginning after December 31, 2017.