

# SENATE BILL 263

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CF 9lr1516

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By: **Senators Ferguson, Benson, Carter, Elfreth, Ellis, Guzzone, Hayes, McCray, Patterson, Peters, Pinsky, Smith, Washington, Young, and Zucker**

Introduced and read first time: January 25, 2019

Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

2 **Earned Income Tax Credit – Individuals Without Qualifying Children –**  
3 **Eligibility and Refundability**

4 FOR the purpose of expanding the eligibility of the Maryland earned income tax credit to  
5 allow certain individuals without qualifying children to claim the credit; allowing  
6 certain individuals to claim a refund of the credit; providing that the amount of the  
7 credit that may be claimed by certain individuals is adjusted for inflation each year;  
8 providing for the application of this Act; and generally relating to the Maryland  
9 earned income tax credit.

10 BY repealing and reenacting, with amendments,  
11 Article – Tax – General  
12 Section 10–704  
13 Annotated Code of Maryland  
14 (2016 Replacement Volume and 2018 Supplement)

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

17 **Article – Tax – General**

18 10–704.

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

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

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

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

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

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

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

14 1. 25% for a taxable year beginning after December 31, 2013,  
15 but before January 1, 2015;

16 2. 25.5% for a taxable year beginning after December 31,  
17 2014, but before January 1, 2016;

18 3. 26% for a taxable year beginning after December 31, 2015,  
19 but before January 1, 2017;

20 4. 27% for a taxable year beginning after December 31, 2016,  
21 but before January 1, 2018; and

22 5. 28% for a taxable year beginning after December 31, 2017.

23 (3) (I) **THE CREDIT ALLOWED AGAINST THE STATE INCOME TAX**  
24 **UNDER SUBSECTION (A)(1) OF THIS SECTION FOR AN INDIVIDUAL WITHOUT A**  
25 **QUALIFYING CHILD IS CALCULATED BY SUBSTITUTING:**

26 1. **\$6,920 FOR THE EARNED INCOME AMOUNT IN §**  
27 **32(B)(2)(A) OF THE INTERNAL REVENUE CODE; AND**

28 2. **\$16,630 FOR THE PHASE-OUT AMOUNT IN §**  
29 **32(B)(2)(A) OF THE INTERNAL REVENUE CODE.**

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

1           **(III) 1. FOR EACH TAXABLE YEAR BEGINNING AFTER**  
2 **DECEMBER 31, 2019, THE EARNED INCOME AMOUNT AND PHASE-OUT AMOUNT IN**  
3 **SUBPARAGRAPH (I) OF THIS PARAGRAPH SHALL BE INCREASED BY AN AMOUNT**  
4 **EQUAL TO THE PRODUCT OF MULTIPLYING EACH AMOUNT BY THE COST-OF-LIVING**  
5 **ADJUSTMENT SPECIFIED IN SUBSUBPARAGRAPH 2 OF THIS SUBPARAGRAPH.**

6           **2. FOR PURPOSES OF THIS SUBPARAGRAPH, THE**  
7 **COST-OF-LIVING ADJUSTMENT IS THE COST-OF-LIVING ADJUSTMENT WITHIN THE**  
8 **MEANING OF § 1(F)(3) OF THE INTERNAL REVENUE CODE FOR THE CALENDAR YEAR**  
9 **IN WHICH THE TAXABLE YEAR BEGINS, AS DETERMINED BY THE COMPTROLLER BY**  
10 **SUBSTITUTING “CALENDAR YEAR 2018” FOR “CALENDAR YEAR 2016” IN § 1(F)(3)(B)**  
11 **OF THE INTERNAL REVENUE CODE.**

12           **3. IF ANY INCREASE DETERMINED UNDER**  
13 **SUBSUBPARAGRAPH 1 OF THIS SUBPARAGRAPH IS NOT A MULTIPLE OF \$10, THE**  
14 **INCREASE SHALL BE ROUNDED DOWN TO THE NEXT LOWEST MULTIPLE OF \$10.**

15           **(IV)** For purposes of this section for an individual without a qualifying  
16 child, the credit allowable for a taxable year under § 32 of the Internal Revenue Code is  
17 calculated without regard to the minimum age requirement under § 32(c)(1)(A)(ii)(II) of the  
18 Internal Revenue Code.

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

22                   (i) the earned income credit allowable for the taxable year under §  
23 32 of the Internal Revenue Code multiplied by 10 times the county income tax rate for the  
24 taxable year; or

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

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

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

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

1 income tax for the taxable year.

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

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

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

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

14 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
15 1, 2019, and shall be applicable to all taxable years beginning after December 31, 2018.