

SENATE BILL 870

Q3

(9lr2929)

ENROLLED BILL

— Budget and Taxation / Ways and Means —

Introduced by **Senators King, Augustine, Beidle, Benson, Carter, Elfreth, Ellis, Feldman, Ferguson, Griffith, Guzzone, Hayes, Hester, Kagan, Kelley, Klausmeier, Kramer, Lam, Lee, Miller, Nathan–Pulliam, Patterson, Peters, Pinsky, Rosapepe, Smith, Waldstreicher, Washington, Young, Zirkin, and Zucker**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this _____ day of _____ at _____ o'clock, _____ M.

President.

CHAPTER _____

1 AN ACT concerning

2 **Income Tax – Child and Dependent Care Tax Credit – Alterations**

3 FOR the purpose of altering the maximum income limits for eligibility for a certain credit
4 against the State income tax for certain child and dependent care expenses; altering
5 the phase-out of the tax credit; making the credit refundable, subject to certain
6 income limits; increasing, each taxable year, certain income eligibility and
7 refundability thresholds by a certain cost-of-living adjustment; providing for the
8 application of this Act; and generally relating to a credit against the State income
9 tax for child and dependent care expenses.

10 BY repealing and reenacting, with amendments,

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.

Italics indicate opposite chamber / conference committee amendments.



1 Article – Tax – General
 2 Section 10–716
 3 Annotated Code of Maryland
 4 (2016 Replacement Volume and 2018 Supplement)

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

7 **Article – Tax – General**

8 10–716.

9 (a) (1) In this section the following words have the meanings indicated.

10 (2) “Federal child and dependent care credit” means the child and
 11 dependent care credit properly claimed by an individual for the taxable year under § 21 of
 12 the Internal Revenue Code.

13 (3) “Qualifying individual” means a qualifying individual within the
 14 meaning of § 21(b) of the Internal Revenue Code.

15 (b) An individual [whose federal adjusted gross income for the taxable year does
 16 not exceed \$50,000, or \$25,000 in the case of a married individual filing a separate return,]
 17 **OR A MARRIED COUPLE FILING A JOINT *INCOME TAX* RETURN** may claim a credit
 18 against the State income tax as provided in this section for expenses paid by the individual
 19 **OR MARRIED COUPLE** during [the] A taxable year for the care of a qualifying individual
 20 **IF THE FEDERAL ADJUSTED GROSS INCOME OF THE INDIVIDUAL OR MARRIED**
 21 **COUPLE FOR THE TAXABLE YEAR DOES NOT EXCEED:**

22 (1) ~~\$110,000~~ **\$92,000**, IN THE CASE OF AN INDIVIDUAL; OR

23 (2) ~~\$141,000~~ **\$143,000**, IN THE CASE OF A MARRIED COUPLE FILING A
 24 JOINT INCOME TAX RETURN.

25 (c) ~~Subject to subsection (d) of this section~~ **AND EXCEPT AS PROVIDED IN**
 26 **SUBSECTION (E) OF THIS SECTION**, the] ~~THE~~ credit allowed under **SUBSECTION (B) OF**
 27 this section equals the lesser of:

28 ~~(1) 32.5%~~ **32%** of the federal child and dependent care credit; or]

29 ~~(1) (i) 35% OF THE FEDERAL CHILD AND DEPENDENT CARE~~
 30 ~~CREDIT FOR:~~

31 ~~1. AN INDIVIDUAL WHOSE FEDERAL ADJUSTED GROSS~~
 32 ~~INCOME DOES NOT EXCEED \$50,000; OR~~

~~2. A MARRIED COUPLE FILING A JOINT INCOME TAX RETURN WHOSE FEDERAL ADJUSTED GROSS INCOME DOES NOT EXCEED \$75,000;~~

~~(H) 30% OF THE FEDERAL CHILD AND DEPENDENT CARE CREDIT FOR:~~

~~1. AN INDIVIDUAL WHOSE FEDERAL ADJUSTED GROSS INCOME EXCEEDS \$50,000 BUT IS NOT GREATER THAN \$75,000; OR~~

~~2. A MARRIED COUPLE FILING A JOINT INCOME TAX RETURN WHOSE FEDERAL ADJUSTED GROSS INCOME EXCEEDS \$75,000 BUT IS NOT GREATER THAN \$110,000;~~

~~(HH) 20% OF THE FEDERAL CHILD AND DEPENDENT CARE CREDIT FOR:~~

~~1. AN INDIVIDUAL WHOSE FEDERAL ADJUSTED GROSS INCOME EXCEEDS \$75,000 BUT IS NOT GREATER THAN \$91,000; OR~~

~~2. A MARRIED COUPLE FILING A JOINT INCOME TAX RETURN WHOSE FEDERAL ADJUSTED GROSS INCOME EXCEEDS \$110,000 BUT IS NOT GREATER THAN \$125,000; OR~~

~~(IV) 10% OF THE FEDERAL CHILD AND DEPENDENT CARE CREDIT FOR:~~

~~1. AN INDIVIDUAL WHOSE FEDERAL ADJUSTED GROSS INCOME EXCEEDS \$91,000 BUT IS NOT GREATER THAN \$110,000; OR~~

~~2. A MARRIED COUPLE FILING A JOINT INCOME TAX RETURN WHOSE FEDERAL ADJUSTED GROSS INCOME EXCEEDS \$125,000 BUT IS NOT GREATER THAN \$141,000; OR~~

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

~~(d)~~ (1) If an individual's federal adjusted gross income for the taxable year exceeds ~~\$41,000~~ \$30,000, the credit otherwise allowed under this section shall be reduced by ~~10%~~ 1% for each ~~\$1,000~~ \$2,000 or fraction of ~~\$1,000~~ \$2,000 by which the individual's federal adjusted gross income exceeds ~~\$41,000~~ \$30,000.

(2) In the case of a married ~~individual filing a separate return~~ COUPLE FILING A JOINT INCOME TAX RETURN, if the individual's federal adjusted gross income for the taxable year exceeds ~~\$20,500~~ \$50,000, the credit otherwise allowed under this

1 section shall be reduced by ~~10%~~ 1% for each ~~\$500~~ \$3,000 or fraction of ~~\$500~~ \$3,000 by
 2 which the individual's federal adjusted gross income exceeds ~~\$20,500~~ \$50,000.]

3 ~~(D)~~ (E) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE
 4 YEAR EXCEEDS THE STATE INCOME TAX FOR THAT TAXABLE YEAR, THE INDIVIDUAL
 5 OR MARRIED COUPLE MAY CLAIM A REFUND IN THE AMOUNT OF THE EXCESS IF THE
 6 INDIVIDUAL'S OR MARRIED COUPLE'S FEDERAL ADJUSTED GROSS INCOME DOES
 7 NOT EXCEED:

8 (1) \$50,000 IN THE CASE OF AN INDIVIDUAL; OR

9 (2) \$75,000 IN THE CASE OF A MARRIED COUPLE FILING A JOINT
 10 INCOME TAX RETURN.

11 ~~(E)~~ (F) (1) ~~(A)~~ FOR EACH TAXABLE YEAR BEGINNING AFTER
 12 DECEMBER 31, 2019, THE MAXIMUM INCOME THRESHOLDS UNDER SUBSECTION
 13 ~~(C)(1)(A)~~ (B) OF THIS SECTION AND THE MAXIMUM INCOME THRESHOLDS UNDER
 14 SUBSECTION ~~(D)~~ (E) OF THIS SECTION SHALL BE INCREASED BY AN AMOUNT EQUAL
 15 TO THE PRODUCT OF THE MAXIMUM INCOME THRESHOLDS AND THE
 16 COST-OF-LIVING ADJUSTMENT SPECIFIED IN THIS SUBSECTION.

17 ~~(H) EACH MINIMUM AND MAXIMUM THRESHOLD AMOUNT~~
 18 ~~UNDER SUBSECTION (C)(1) OF THIS SECTION SHALL BE INCREASED BY THE SAME~~
 19 ~~DOLLAR AMOUNT AS THE INCREASE DETERMINED UNDER SUBPARAGRAPH (I) OF~~
 20 ~~THIS PARAGRAPH.~~

21 (2) FOR PURPOSES OF THIS SUBSECTION, THE COST-OF-LIVING
 22 ADJUSTMENT IS THE COST-OF-LIVING ADJUSTMENT WITHIN THE MEANING OF §
 23 1(F)(3) OF THE INTERNAL REVENUE CODE FOR THE CALENDAR YEAR IN WHICH A
 24 TAXABLE YEAR BEGINS, AS DETERMINED BY THE COMPTROLLER, BY SUBSTITUTING
 25 "CALENDAR YEAR 2018" FOR "CALENDAR YEAR 2016" IN § 1(F)(3)(A) OF THE
 26 INTERNAL REVENUE CODE.

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

30 [(e)] ~~(F)~~ (G) The credit allowed under this section does not affect the treatment
 31 under this title of any deduction or exclusion allowed under this title or allowed for federal
 32 income tax purposes for expenses paid by the individual for the care of a qualifying
 33 individual.

34 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
 35 1, 2019, and shall be applicable to all taxable years beginning after December 31, 2018.