

Chapter 432

(Senate Bill 870)

AN ACT concerning

Income Tax – Child and Dependent Care Tax Credit – Alterations

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

BY repealing and reenacting, with amendments,
 Article – Tax – General
 Section 10–716
 Annotated Code of Maryland
 (2016 Replacement Volume and 2018 Supplement)

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

Article – Tax – General

10–716.

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

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

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

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

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

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

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

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

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

~~1. AN INDIVIDUAL WHOSE FEDERAL ADJUSTED GROSS 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;~~

~~(ii) 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;~~

~~(iii) 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.

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

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

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

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

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

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

(2) FOR PURPOSES OF THIS SUBSECTION, 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 2018” FOR “CALENDAR YEAR 2016” IN § 1(F)(3)(A) OF THE INTERNAL REVENUE CODE.

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

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

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

Approved by the Governor, May 13, 2019.