

HOUSE BILL 547

Q3, O3

3lr0131
CF SB 552

By: **The Speaker (By Request – Administration) and Delegates Wilkins, Palakovich Carr, Addison, Allen, Alston, Amprey, Attar, Bagnall, Bhandari, Boaf, Boyce, Cardin, Charkoudian, Charles, Conaway, Crutchfield, Cullison, Davis, Ebersole, Edelson, Embry, Feldmark, Fennell, W. Fisher, Foley, Forbes, Fraser–Hidalgo, Grossman, Harris, Harrison, Healey, Henson, Holmes, Ivey, D. Jones, Kaiser, Kaufman, Kelly, Kerr, J. Long, Lopez, Love, McCaskill, Mireku–North, Moon, Pasteur, Patterson, Phillips, Queen, Reznik, Rogers, Rosenberg, Ruth, Sample–Hughes, Shetty, Simmons, Simpson, Smith, Solomon, Stein, Stewart, Taveras, Toles, Turner, Valderrama, Vogel, Watson, Wells, White, Williams, Woods, Wu, Young, ~~and Ziegler~~ Ziegler, Atterbeary, D. Barnes, and Fair**

Introduced and read first time: February 2, 2023

Assigned to: Ways and Means

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 2, 2023

CHAPTER _____

1 AN ACT concerning

2 **Family Prosperity Act of 2023**

3 FOR the purpose of altering, beginning with a certain taxable year, the percentage of the
4 federal earned income tax credit used for determining the amount that an individual
5 may claim as a refund under the Maryland earned income tax credit under certain
6 circumstances; repealing a certain limitation on the amount certain individuals may
7 claim as a refund under the earned income tax credit; altering the definition of
8 “qualified child” and income eligibility requirements for purposes of qualifying for a
9 certain credit against the State income tax for certain dependent children; repealing
10 a certain provision of law reducing the amount of the credit under certain
11 circumstances; allowing certain residents to continue to claim the credits after a
12 certain taxable year; and generally relating to credits against the State income tax
13 for earned income and dependent children.

14 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.



1 Article – Tax – General
2 Section 10–704 and 10–751
3 Annotated Code of Maryland
4 (2022 Replacement Volume)

5 BY repealing and reenacting, with amendments,
6 Chapter 40 of the Acts of the General Assembly of 2021
7 Section 2 and 3

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

10 **Article – Tax – General**

11 10–704.

12 (a) In this section, “taxpayer” means:

13 (1) an individual filing an income tax return; or

14 (2) a married couple filing a joint income tax return.

15 (b) (1) A resident who is a taxpayer may claim a credit against the State
16 income tax for a taxable year in the amount determined under subsection (c) of this section
17 for earned income.

18 (2) A resident who is a taxpayer may claim a credit against the county
19 income tax for a taxable year in the amount determined under subsection (d) of this section
20 for earned income.

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

24 (i) 50% of the earned income credit allowable for the taxable year
25 under § 32 of the Internal Revenue Code or that would have been allowable but for the
26 limitation under § 32(m) of the Internal Revenue Code; or

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

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

1 (ii) Subject to subparagraph (iii) of this paragraph, the applicable
2 percentage of the earned income credit allowable under § 32 of the Internal Revenue Code
3 to be used for purposes of determining the refund provided under this paragraph is:

4 1. 25% for a taxable year beginning after December 31, 2013,
5 but before January 1, 2015;

6 2. 25.5% for a taxable year beginning after December 31,
7 2014, but before January 1, 2016;

8 3. 26% for a taxable year beginning after December 31, 2015,
9 but before January 1, 2017;

10 4. 27% for a taxable year beginning after December 31, 2016,
11 but before January 1, 2018;

12 5. 28% for a taxable year beginning after December 31, 2017,
13 but before January 1, 2020; AND

14 6. 45% for a taxable year beginning after December 31,
15 2019[, but before January 1, 2023; and

16 7. 28% for a taxable year beginning after December 31,
17 2022].

18 (iii) For purposes of determining the refund provided under this
19 paragraph, the earned income credit allowable under § 32 of the Internal Revenue Code is
20 calculated without regard to the limitation under § 32(m) of the Internal Revenue Code.

21 (3) (i) For purposes of this section for an individual without a qualifying
22 child, the credit allowable for a taxable year under § 32 of the Internal Revenue Code is
23 calculated without regard to:

24 1. the minimum age requirement under § 32(c)(1)(A)(ii)(II) of
25 the Internal Revenue Code; or

26 2. the limitation under § 32(m) of the Internal Revenue Code.

27 (ii) ~~Subject to subparagraph (iii) of this paragraph, for~~ ~~FOR a~~
28 ~~taxable year beginning after December 31, 2019[, but before January 1, 2023],~~ the credit
29 allowed against the State income tax under subsection (b)(1) of this section for an individual
30 without a qualifying child is equal to 100% of the earned income credit allowable for a
31 taxable year under § 32 of the Internal Revenue Code.

1 (iii) ~~The~~ **FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER**
2 **31, 2019, BUT BEFORE JANUARY 1, 2023, THE** tax credit allowed under this paragraph
3 may not exceed \$530 for a taxable year.

4 (iv) If the tax credit allowed under this paragraph in any taxable year
5 exceeds the total tax otherwise payable by the individual without a qualifying child for that
6 taxable year, the individual may claim a refund in the amount of the excess.

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

10 (i) the earned income credit allowable for the taxable year under §
11 32 of the Internal Revenue Code or that would have been allowable but for the limitation
12 under § 32(m) of the Internal Revenue Code multiplied by 10 times the county income tax
13 rate for the taxable year; or

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

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

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

21 (iii) If a county provides for a refundable county earned income credit
22 under this paragraph, a resident may claim a refund of the amount, if any, by which the
23 product of multiplying the credit allowable for the taxable year under § 32 of the Internal
24 Revenue Code or that would have been allowable but for the limitation under § 32(m) of
25 the Internal Revenue Code by 5 times the county income tax rate for the taxable year
26 exceeds the county income tax for the taxable year.

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

30 (e) (1) Subject to paragraph (2) of this subsection, for an individual who is a
31 resident of the State for only a part of the year, the amount of the credit or refund allowed
32 under this section shall be determined based on the part of the earned income credit
33 allowable for the taxable year under § 32 of the Internal Revenue Code that is attributable
34 to Maryland, determined by multiplying the federal earned income credit by a fraction:

35 (i) the numerator of which is the Maryland adjusted gross income of
36 the individual; and

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

3 (2) For purposes of determining the amount of the credit or refund under
4 paragraph (1) of this subsection, the part of the earned income credit allowable for the
5 taxable year under § 32 of the Internal Revenue Code is calculated without regard to the
6 limitation under § 32(m) of the Internal Revenue Code.

7 10–751.

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

9 (2) “Qualified child” means a dependent of a taxpayer, if the dependent:

10 (i) is a dependent for purposes of § 152 of the Internal Revenue
11 Code; and

12 (ii) 1. **IS UNDER THE AGE OF 6 YEARS; OR**

13 2. **A.** is under the age of 17 years; and

14 **[2.] B.** is a child with a disability, as defined under § 8–401
15 of the Education Article.

16 (3) “Taxpayer” means:

17 (i) an individual filing an income tax return; or

18 (ii) a married couple filing a joint income tax return.

19 (b) A taxpayer who **IS A RESIDENT AND** has federal adjusted gross income for
20 the taxable year of **[\$6,000] \$15,000** or less may claim a credit against the State income
21 tax for each qualified child in an amount equal to \$500.

22 (c) **[The amount of the credit allowed under subsection (b) of this section for a**
23 **qualified child shall be reduced, but not below zero, by the amount of any federal child tax**
24 **credit claimed against the federal income tax for the qualified child under § 24 of the**
25 **Internal Revenue Code.**

26 (d) **If the credit allowed under this section in any taxable year exceeds the State**
27 **income tax for that taxable year, the taxpayer may claim a refund in the amount of the**
28 **excess.**

29 **SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read**
30 **as follows:**

Chapter 40 of the Acts of 2021

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be applicable to all taxable years beginning after December 31, 2019[, but before January 1, 2023].

SECTION 3. AND BE IT FURTHER ENACTED, That this Act is an emergency measure, is necessary for the immediate preservation of the public health or safety, has been passed by a yea and nay vote supported by three-fifths of all the members elected to each of the two Houses of the General Assembly, and shall take effect from the date it is enacted. [It shall remain effective through June 30, 2023, and, at the end of June 30, 2023, this Act, with no further action required by the General Assembly, shall be abrogated and of no further force and effect.]

SECTION 3. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall be applicable to all taxable years beginning after December 31, 2022.

SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect June 1, 2023.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.