

HOUSE BILL 614

Q3

5lr1726

By: **Chair, Ways and Means Committee (By Request – Office of the Comptroller)**

Introduced and read first time: January 23, 2025

Assigned to: Ways and Means

Committee Report: Favorable with amendments

House action: Adopted

Read second time: February 22, 2025

CHAPTER _____

1 AN ACT concerning

2 **Local Earned Income Tax Credit – Calculation – County Income Tax Rate**

3 FOR the purpose of clarifying the county income tax rate used to calculate the local earned
4 income tax credit that certain individuals may claim against the county income tax;
5 and generally relating to the local earned income tax credit.

6 BY repealing and reenacting, with amendments,

7 Article – Tax – General

8 Section ~~10-704(d)~~ 10-704(a) and (d)

9 Annotated Code of Maryland

10 (2022 Replacement Volume and 2024 Supplement)

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

13 **Article – Tax – General**

14 10-704.

15 (a) **(1) In this section[, “taxpayer”] THE FOLLOWING WORDS HAVE THE**
16 **MEANINGS INDICATED.**

17 **(2) “APPLICABLE COUNTY INCOME TAX RATE” MEANS:**

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 **(I) IF A COUNTY IMPOSES A MARGINAL INCOME TAX RATE, THE**
 2 **COUNTY'S LOWEST MARGINAL INCOME TAX RATE FOR THE TAXABLE YEAR; OR**

3 **(II) IF A COUNTY IMPOSES ONE OR MORE FLAT INCOME TAX**
 4 **RATES, THE COUNTY INCOME TAX RATE FOR THE TAXABLE YEAR THAT IS**
 5 **APPLICABLE TO THE TAXPAYER'S INCOME LEVEL AND FILING STATUS AS**
 6 **ESTABLISHED BY THE COUNTY.**

7 **(3) "TAXPAYER" means:**

8 **[(1)] (I) an individual filing an income tax return; or**

9 **[(2)] (II) a married couple filing a joint income tax return.**

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

13 (i) the earned income credit allowable for the taxable year under §
 14 32 of the Internal Revenue Code or that would have been allowable but for the limitation
 15 under § 32(m) of the Internal Revenue Code multiplied by 10 times the **APPLICABLE**
 16 ~~county] COUNTY'S LOWEST MARGINAL~~ income tax rate for the taxable year; or

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

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

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

24 (iii) If a county provides for a refundable county earned income credit
 25 under this paragraph, a resident may claim a refund of the amount, if any, by which the
 26 product of multiplying the credit allowable for the taxable year under § 32 of the Internal
 27 Revenue Code or that would have been allowable but for the limitation under § 32(m) of
 28 the Internal Revenue Code by 5 times the **APPLICABLE** ~~county] COUNTY'S LOWEST~~
 29 ~~MARGINAL~~ income tax rate for the taxable year exceeds the county income tax for the
 30 taxable year.

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

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
2 1, 2025, and shall be applicable to all taxable years beginning after December 31, 2024.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.