

SENATE BILL 668

Q3

5lr3340
CF HB 708

By: **Senator Guzzone**

Introduced and read first time: January 26, 2025

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

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

4 FOR the purpose of expanding eligibility for the Maryland earned income tax credit for
5 individuals without qualifying children by altering the income thresholds at which
6 the credit phases out; providing that, after a certain taxable year, the income
7 threshold and phase-out amounts are adjusted annually for inflation; and generally
8 relating to the Maryland earned income tax credit.

9 BY repealing and reenacting, with amendments,
10 Article – Tax – General
11 Section 10–704
12 Annotated Code of Maryland
13 (2022 Replacement Volume and 2024 Supplement)

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

16 **Article – Tax – General**

17 10–704.

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

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

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

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

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

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

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

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

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

19 1. 25% for a taxable year beginning after December 31, 2013,
20 but before January 1, 2015;

21 2. 25.5% for a taxable year beginning after December 31,
22 2014, but before January 1, 2016;

23 3. 26% for a taxable year beginning after December 31, 2015,
24 but before January 1, 2017;

25 4. 27% for a taxable year beginning after December 31, 2016,
26 but before January 1, 2018;

27 5. 28% for a taxable year beginning after December 31, 2017,
28 but before January 1, 2020; and

29 6. 45% for a taxable year beginning after December 31, 2019.

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

33 (3) (i) For purposes of this section for an individual without a qualifying

1 child, the credit allowable for a taxable year under § 32 of the Internal Revenue Code is
2 calculated without regard to:

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

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

6 (ii) [Subject to subparagraph (iii) of this paragraph, the] **THE** credit
7 allowed against the State income tax under subsection (b)(1) of this section for an individual
8 without a qualifying child is:

9 1. equal to 100% of the earned income credit allowable for a
10 taxable year under § 32 of the Internal Revenue Code; **AND**

11 2. **CALCULATED BY SUBSTITUTING:**

12 **A. \$7,840 FOR THE EARNED INCOME AMOUNT IN §**
13 **32(B)(2)(A) OF THE INTERNAL REVENUE CODE; AND**

14 **B. \$19,160 FOR THE PHASE-OUT AMOUNT IN §**
15 **32(B)(2)(A) OF THE INTERNAL REVENUE CODE.**

16 [(iii) For a taxable year beginning after December 31, 2019, but before
17 January 1, 2023, the tax credit allowed under this paragraph may not exceed \$530 for a
18 taxable year.]

19 **(III) 1. FOR EACH TAXABLE YEAR BEGINNING AFTER**
20 **DECEMBER 31, 2024, THE EARNED INCOME AMOUNT AND PHASE-OUT AMOUNT IN**
21 **SUBPARAGRAPH (II)2 OF THIS PARAGRAPH SHALL BE INCREASED BY AN AMOUNT**
22 **EQUAL TO THE PRODUCT OF MULTIPLYING EACH AMOUNT BY THE COST-OF-LIVING**
23 **ADJUSTMENT SPECIFIED IN SUBSUBPARAGRAPH 2 OF THIS SUBPARAGRAPH.**

24 **2. FOR THE PURPOSES OF THIS SUBPARAGRAPH, THE**
25 **COST-OF-LIVING ADJUSTMENT IS THE COST-OF-LIVING ADJUSTMENT WITHIN THE**
26 **MEANING OF § 1(F)(3) OF THE INTERNAL REVENUE CODE FOR THE CALENDAR YEAR**
27 **IN WHICH THE TAXABLE YEAR BEGINS, AS DETERMINED BY THE COMPTROLLER BY**
28 **SUBSTITUTING “CALENDAR YEAR 2022” FOR “CALENDAR YEAR 2016” IN § 1(F)(3)(A)**
29 **OF THE INTERNAL REVENUE CODE.**

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

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

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

7 (i) the earned income credit allowable for the taxable year under §
8 32 of the Internal Revenue Code or that would have been allowable but for the limitation
9 under § 32(m) of the Internal Revenue Code multiplied by 10 times the county income tax
10 rate for the taxable year; or

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

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

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

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

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

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

32 (i) the numerator of which is the Maryland adjusted gross income of
33 the individual; and

34 (ii) the denominator of which is the federal adjusted gross income of
35 the individual.

36 (2) For purposes of determining the amount of the credit or refund under

1 paragraph (1) of this subsection, the part of the earned income credit allowable for the
2 taxable year under § 32 of the Internal Revenue Code is calculated without regard to the
3 limitation under § 32(m) of the Internal Revenue Code.

4 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
5 1, 2025, and shall be applicable to all taxable years beginning after December 31, 2024.