

Department of Legislative Services  
 Maryland General Assembly  
 2025 Session

FISCAL AND POLICY NOTE  
 First Reader

Senate Bill 668 (Senator Guzzone)  
 Budget and Taxation

Earned Income Tax Credit - Individuals Without Qualifying Children - Eligibility

This bill enhances the State’s earned income credit for individuals without a qualifying child by increasing the income threshold at which the credit begins to phase out. **The bill takes effect July 1, 2025, and applies to tax year 2025 and beyond.**

Fiscal Summary

**State Effect:** General fund revenues decrease by an estimated \$99.1 million in FY 2026; future years reflect projected growth in eligible tax credits. The Comptroller’s Office can implement the bill’s changes with existing budgeted resources.

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Revenue	(\$99.1)	(\$103.1)	(\$107.2)	(\$111.5)	(\$115.9)
Expenditure	0	0	0	0	0
Net Effect	(\$99.1)	(\$103.1)	(\$107.2)	(\$111.5)	(\$115.9)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** Montgomery County expenditures for its earned income credit supplement program may increase beginning in FY 2026, as discussed below. Local revenues are not affected.

**Small Business Effect:** None.

Analysis

**Current Law/Bill Summary:** Maryland’s earned income credit offers both refundable and nonrefundable credits against the State income tax and a nonrefundable credit against

the local income tax for low- to moderate-income resident taxpayers. The State nonrefundable credit is generally equal to 50% of the amount of an eligible taxpayer's federal earned income credit for the taxable year. A taxpayer for whom the State nonrefundable credit is less than the taxpayer's State income tax liability may also be eligible to claim the State and local poverty level credits.

### *Earned Income Credit for Individuals without Qualifying Children*

Legislation enacted in the 2018, 2021, and 2023 sessions expanded the State's earned income credit for individuals without qualifying children. Specifically:

- Chapters 611 and 612 of 2018 allowed individuals without qualifying children to claim the State and local earned income credits without regard to the federal minimum age requirement for childless claimants;
- for tax years 2020 through 2022, Chapter 39 of 2021 increased the value of the State refundable credit for individuals without qualifying children to 100% of the individual's federal earned income credit (minus any pre-credit State income tax liability), up to a maximum of \$530;
- for tax years 2020 through 2022, Chapter 40 of 2021 generally expanded eligibility for Maryland's earned income credit to taxpayers who would be eligible for the federal earned income credit but for specified identification requirements; and
- Chapters 3 and 4 of 2023 permanently extended beyond tax year 2022 the temporary expansions to the earned income credit enacted in 2021 and eliminated the \$530 limit on the value of the State refundable credit for individuals without qualifying children.

Thus, for tax year 2023 and beyond, an eligible individual without a qualifying child may claim a fully refundable State earned income credit in an amount equal to the allowable federal earned income credit, without limitation. The federal earned income credit for individuals without qualifying children is equal to 7.65% of an eligible taxpayer's earned income up to the "earned income amount" (\$8,490 for tax year 2025), minus 7.65% of the taxpayer's earned income in excess of the "phaseout amount" (\$10,620 for tax year 2025). The maximum value of the federal earned income credit for individuals without qualifying children is \$649 for tax year 2025.

*Under the bill*, the State's earned income credit for individuals without qualifying children is further enhanced through an increase in the income threshold at which the credit begins to phase out. Specifically, beginning in tax year 2025, the value of the credit is calculated by substituting \$19,160 (as adjusted for inflation, as specified) for the federal phaseout amount (\$10,620 for tax year 2025).

**State Revenues:** General fund revenues decrease by an estimated \$99.1 million in fiscal 2026 and \$115.9 million in fiscal 2030 due to increases in the number and amount of credits claimed against the personal income tax. This estimate is based on an analysis of tax year 2022 claims for the existing State earned income credit for individuals without qualifying children, adjusted for the current economic forecast. The Comptroller’s Office has previously advised the Department of Legislative Services that, in tax year 2022, approximately 164,000 returns qualified for the State earned income credit for individuals without qualifying children, and an additional 171,000 returns may have been eligible for the credit were the changes contemplated in this bill in effect for tax year 2022.

**Local Expenditures:** Montgomery County expenditures for the Working Families Income Supplement Program, which provides a match to county residents based on the amount of the State earned income credit, may increase beginning in fiscal 2026.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has been introduced within the last three years. See HB 608 of 2024.

**Designated Cross File:** HB 708 (Delegate Wilkins) - Ways and Means.

**Information Source(s):** Comptroller’s Office; Department of Legislative Services

**Fiscal Note History:** First Reader - February 10, 2025  
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