

HOUSE BILL 66

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Q3
HB 876/97 - W&M

1998 Regular Session
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CF 8lr0602

(PRE-FILED)

By: **Delegates Hixson, R. Baker, Barve, Bobo, Bozman, Cadden, Conroy, Cryor, Curran, C. Davis, D. Davis, Doory, Faulkner, Finifter, Frush, Goldwater, Grosfeld, Healey, Hecht, Heller, Hubbard, Hurson, Kopp, Leopold, Linton, Mandel, Montague, Petzold, Pitkin, Rawlings, Rosenberg, Shriver, Workman, Dypski, McIntosh, Poole, and Perry**

Requested: October 27, 1997
Introduced and read first time: January 14, 1998
Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Earned Income Credit - Refunds**

3 FOR the purpose of altering the earned income credit allowed against the Maryland
4 income tax; making part of the earned income credit refundable under certain
5 circumstances; providing for the application of this Act; and generally relating to
6 the earned income credit under the Maryland income tax.

7 BY repealing and reenacting, with amendments,
8 Article - Tax - General
9 Section 10-704 and 10-706(c)
10 Annotated Code of Maryland
11 (1988 Volume and 1997 Supplement)

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

14 **Article - Tax - General**

15 10-704.

16 (a) An individual may claim a credit against the income tax for a taxable year
17 in the amount determined under subsection (b) of this section for earned income.

18 (b) (1) Except as provided in paragraph (2) of this subsection AND SUBJECT
19 TO SUBSECTION (C) OF THIS SECTION, the credit allowed under subsection (a) of this
20 section is the lesser of:

21 (i) 50% of the earned income credit allowable for the taxable year
22 under § 32 of the Internal Revenue Code; or

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

1 (2) AN INDIVIDUAL MAY CLAIM A REFUND IN THE AMOUNT, IF ANY, BY
2 WHICH 15% OF THE EARNED INCOME CREDIT ALLOWABLE UNDER § 32 OF THE
3 INTERNAL REVENUE CODE EXCEEDS THE STATE INCOME TAX FOR THE TAXABLE
4 YEAR.

5 [(2)] (C) An individual who files an income tax return for a period of less
6 than 1 year:

7 (1) is allowed from the amount under [paragraph (1) of this subsection]
8 SUBSECTION (B)(1) OF THIS SECTION, a fraction:

9 (i) the numerator of which is the number of months that the return
10 covers; and

11 (ii) the denominator of which is 12; AND

12 (2) MAY NOT CLAIM A REFUND UNDER SUBSECTION (B)(2) OF THIS
13 SECTION OR § 10-706(C)(3) OF THIS SUBTITLE.

14 10-706.

15 (c) (1) A credit under § 10-704 of this subtitle:

16 (i) is allowed only against the State income tax; and

17 (ii) operates to reduce the county income tax.

18 (2) (i) The county income tax is based on the amount of State income
19 tax after the State income tax is reduced by the credit.

20 (ii) For purposes of determining the county income tax, the credit
21 under § 10-704 of this subtitle shall be calculated using the State income tax as
22 modified under § 10-106(d) of this title.

23 (3) AN INDIVIDUAL MAY CLAIM A REFUND IN AN AMOUNT EQUAL TO
24 THE COUNTY INCOME TAX RATE MULTIPLIED BY THE AMOUNT, IF ANY, BY WHICH
25 15% OF THE EARNED INCOME CREDIT ALLOWABLE UNDER § 32 OF THE INTERNAL
26 REVENUE CODE EXCEEDS THE STATE INCOME TAX AS MODIFIED UNDER § 10-106(D)
27 OF THIS TITLE.

28 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
29 July 1, 1998 and shall be applicable to all taxable years beginning after December 31,
30 1997.