

# SENATE BILL 294

Q3

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By: **Senators Madaleno, Benson, Conway, Currie, Feldman, Ferguson, Gladden, Guzzone, Kagan, Kelley, King, Manno, McFadden, Middleton, Pugh, Ramirez, Raskin, and Rosapepe**

Introduced and read first time: January 22, 2016

Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

2 **Earned Income Tax Credit – Expansion**

3 FOR the purpose of altering the percentage of the federal earned income credit used for  
4 determining the amount that certain individuals may claim as a refund under the  
5 Maryland earned income credit under certain circumstances; altering the calculation  
6 of the Maryland earned income tax credit to increase the amount of credit that  
7 certain individuals without qualifying children may claim; expanding eligibility of  
8 the credit to allow certain individuals without certain qualifying children to claim  
9 the credit; allowing certain individuals to claim a refund of the credit; allowing an  
10 individual to claim the credit without regard to a certain age limitation; providing  
11 that the amount of the credit is adjusted for inflation each year; providing for the  
12 application of this Act; and generally relating to the Maryland earned income tax  
13 credit.

14 BY repealing and reenacting, with amendments,  
15 Article – Tax – General  
16 Section 10–704  
17 Annotated Code of Maryland  
18 (2010 Replacement Volume and 2015 Supplement)

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

21 **Article – Tax – General**

22 10–704.

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

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

4           (b) (1) Except as provided in [paragraph (2)] **PARAGRAPHS (2) AND (3)** of  
5 this subsection and subject to subsection (d) of this section, the credit allowed against the  
6 State income tax under subsection (a)(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

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

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

14                   (ii) The applicable percentage of the earned income credit allowable  
15 under § 32 of the Internal Revenue Code to be used for purposes of determining the refund  
16 provided under this paragraph is:

17                           1. 25% for a taxable year beginning after December 31, 2013,  
18 but before January 1, 2015;

19                           2. 25.5% for a taxable year beginning after December 31,  
20 2014, but before January 1, 2016; **AND**

21                           3. 28% for a taxable year beginning after December 31, 2015  
22 [, but before January 1, 2017;

23                           4. 27% for a taxable year beginning after December 31, 2016,  
24 but before January 1, 2018; and

25                           5. 28% for a taxable year beginning after December 31,  
26 2017].

27           **(3) (I) THE CREDIT ALLOWED AGAINST THE STATE INCOME TAX**  
28 **UNDER SUBSECTION (A)(1) OF THIS SECTION FOR AN INDIVIDUAL WITHOUT A**  
29 **QUALIFYING CHILD:**

30                           **1. IS EQUAL TO 100% OF THE EARNED INCOME CREDIT**  
31 **ALLOWABLE FOR THE TAXABLE YEAR UNDER § 32 OF THE INTERNAL REVENUE**  
32 **CODE; AND**

1                   **2. IS CALCULATED BY SUBSTITUTING:**

2                   **A. \$6,580 FOR THE EARNED INCOME AMOUNT IN**  
3 **§ 32(B)(2)(A) OF THE INTERNAL REVENUE CODE; AND**

4                   **B. \$16,960 FOR THE PHASE-OUT AMOUNT IN**  
5 **§ 32(B)(2)(A) OF THE INTERNAL REVENUE CODE.**

6                   **(II) IF THE TAX CREDIT ALLOWED UNDER THIS PARAGRAPH IN**  
7 **ANY TAXABLE YEAR EXCEEDS THE TOTAL TAX OTHERWISE PAYABLE BY THE**  
8 **INDIVIDUAL WITHOUT A QUALIFYING CHILD FOR THAT TAXABLE YEAR, THE**  
9 **INDIVIDUAL MAY CLAIM A REFUND IN THE AMOUNT OF THE EXCESS.**

10                   **(III) 1. FOR EACH TAXABLE YEAR BEGINNING AFTER**  
11 **DECEMBER 31, 2016, THE EARNED INCOME AMOUNT AND PHASE-OUT AMOUNT IN**  
12 **SUBPARAGRAPH (I)2 OF THIS PARAGRAPH SHALL BE INCREASED BY AN AMOUNT**  
13 **EQUAL TO THE PRODUCT OF MULTIPLYING EACH AMOUNT BY THE COST-OF-LIVING**  
14 **ADJUSTMENT SPECIFIED IN SUBSUBPARAGRAPH 2 OF THIS SUBPARAGRAPH.**

15                   **2. FOR PURPOSES OF THIS SUBPARAGRAPH, THE**  
16 **COST-OF-LIVING ADJUSTMENT IS THE COST-OF-LIVING ADJUSTMENT WITHIN THE**  
17 **MEANING OF § 1(F)(3) OF THE INTERNAL REVENUE CODE FOR THE CALENDAR YEAR**  
18 **IN WHICH A TAXABLE YEAR BEGINS, AS DETERMINED BY THE COMPTROLLER BY**  
19 **SUBSTITUTING “CALENDAR YEAR 2015” FOR “CALENDAR YEAR 1992” IN § 1(F)(3)(B)**  
20 **OF THE INTERNAL REVENUE CODE.**

21                   **3. IF ANY INCREASE DETERMINED UNDER**  
22 **SUBSUBPARAGRAPH 1 OF THIS SUBPARAGRAPH IS NOT A MULTIPLE OF \$50, THE**  
23 **INCREASE SHALL BE ROUNDED DOWN TO THE NEXT LOWEST MULTIPLE OF \$50.**

24                   **(IV) FOR PURPOSES OF THIS SECTION FOR AN INDIVIDUAL**  
25 **WITHOUT A QUALIFYING CHILD, THE CREDIT ALLOWABLE FOR A TAXABLE YEAR**  
26 **UNDER § 32 OF THE INTERNAL REVENUE CODE IS CALCULATED WITHOUT REGARD**  
27 **TO THE MINIMUM AGE REQUIREMENT UNDER § 32(C)(1)(A)(II)(II) OF THE**  
28 **INTERNAL REVENUE CODE.**

29                   (c) (1) Except as provided in paragraph (2) of this subsection and subject to  
30 subsection (d) of this section, the credit allowed against the county income tax under  
31 subsection (a)(2) of this section is the lesser of:

32                   (i) the earned income credit allowable for the taxable year under  
33 § 32 of the Internal Revenue Code multiplied by 10 times the county income tax rate for  
34 the taxable year; or

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

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

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

8 (iii) If a county provides for a refundable county earned income credit  
9 under this paragraph, a resident may claim a refund of the amount, if any, by which the  
10 product of multiplying the credit allowable for the taxable year under § 32 of the Internal  
11 Revenue Code by 5 times the county income tax rate for the taxable year exceeds the county  
12 income tax for the taxable year.

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

16 (d) For an individual who is a resident of the State for only a part of the year, the  
17 amount of the credit or refund allowed under this section shall be determined based on the  
18 part of the earned income credit allowable for the taxable year under § 32 of the Internal  
19 Revenue Code that is attributable to Maryland, determined by multiplying the federal  
20 earned income credit by a fraction:

21 (1) the numerator of which is the Maryland adjusted gross income of the  
22 individual; and

23 (2) the denominator of which is the federal adjusted gross income of the  
24 individual.

25 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
26 1, 2016, and shall be applicable to all taxable years beginning after December 31, 2015.