

SENATE BILL 404

Q3

2lr0145
CF HB 422

By: **The President (By Request – Administration) and Senators Bailey, Carozza, Cassilly, Eckardt, Edwards, Gallion, Hershey, Jennings, Ready, Salling, Simonaire, and West**

Introduced and read first time: January 24, 2022

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Working Marylanders Tax Relief Act of 2022**

3 FOR the purpose of altering, beginning with a certain taxable year, the percentage of the
4 federal earned income tax credit used for determining the amount that an individual
5 may claim as a refund under the Maryland earned income tax credit under certain
6 circumstances; and generally relating to the Maryland earned income tax credit.

7 BY repealing and reenacting, with amendments,
8 Article – Tax – General
9 Section 10–704
10 Annotated Code of Maryland
11 (2016 Replacement Volume and 2021 Supplement)

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

14 **Article – Tax – General**

15 10–704.

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

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

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

19 (b) (1) A resident who is a taxpayer may claim a credit against the State
20 income tax for a taxable year in the amount determined under subsection (c) of this section
21 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,
30 2019[, but before January 1, 2023; and

31 7. 28% for a taxable year beginning after December 31,
32 2022].

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

4 (3) (i) For purposes of this section for an individual without a qualifying
5 child, the credit allowable for a taxable year under § 32 of the Internal Revenue Code is
6 calculated without regard to:

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

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

10 (ii) Subject to subparagraph (iii) of this paragraph, for a taxable year
11 beginning after December 31, 2019[, but before January 1, 2023], the credit allowed against
12 the State income tax under subsection (b)(1) of this section for an individual without a
13 qualifying child is equal to 100% of the earned income credit allowable for a taxable year
14 under § 32 of the Internal Revenue Code.

15 (iii) The tax credit allowed under this paragraph may not exceed \$530
16 for a taxable year.

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

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

23 (i) the earned income credit allowable for the taxable year under §
24 32 of the Internal Revenue Code or that would have been allowable but for the limitation
25 under § 32(m) of the Internal Revenue Code multiplied by 10 times the county income tax
26 rate for the taxable year; or

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

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

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

34 (iii) If a county provides for a refundable county earned income credit
35 under this paragraph, a resident may claim a refund of the amount, if any, by which the

1 product of multiplying the credit allowable for the taxable year under § 32 of the Internal
2 Revenue Code or that would have been allowable but for the limitation under § 32(m) of
3 the Internal Revenue Code by 5 times the county income tax rate for the taxable year
4 exceeds the county income tax for the taxable year.

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

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

13 (i) the numerator of which is the Maryland adjusted gross income of
14 the individual; and

15 (ii) the denominator of which is the federal adjusted gross income of
16 the individual.

17 (2) For purposes of determining the amount of the credit or refund under
18 paragraph (1) of this subsection, the part of the earned income credit allowable for the
19 taxable year under § 32 of the Internal Revenue Code is calculated without regard to the
20 limitation under § 32(m) of the Internal Revenue Code.

21 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
22 1, 2022.