

SENATE BILL 552

Q3, O3

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CF HB 547

By: **The President (By Request – Administration) and Senators King, Augustine, Benson, Carter, Ellis, Hettleman, Jackson, Kagan, Lam, Rosapepe, Smith, Sydnor, Waldstreicher, Watson, and West**

Introduced and read first time: February 6, 2023

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Family Prosperity Act of 2023**

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; repealing a certain limitation on the amount certain individuals may
7 claim as a refund under the earned income tax credit; altering the definition of
8 “qualified child” and income eligibility requirements for purposes of qualifying for a
9 certain credit against the State income tax for certain dependent children; repealing
10 a certain provision of law reducing the amount of the credit under certain
11 circumstances; allowing certain residents to continue to claim the credits after a
12 certain taxable year; and generally relating to credits against the State income tax
13 for earned income and dependent children.

14 BY repealing and reenacting, with amendments,
15 Article – Tax – General
16 Section 10–704 and 10–751
17 Annotated Code of Maryland
18 (2022 Replacement Volume)

19 BY repealing and reenacting, with amendments,
20 Chapter 40 of the Acts of the General Assembly of 2021
21 Section 2 and 3

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

24 **Article – Tax – General**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 10-704.

2 (a) In this section, "taxpayer" means:

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

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

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

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

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

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

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

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

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

26 1. 25% for a taxable year beginning after December 31, 2013,
27 but before January 1, 2015;

28 2. 25.5% for a taxable year beginning after December 31,
29 2014, but before January 1, 2016;

30 3. 26% for a taxable year beginning after December 31, 2015,
31 but before January 1, 2017;

32 4. 27% for a taxable year beginning after December 31, 2016,
33 but before January 1, 2018;

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

3 6. 45% for a taxable year beginning after December 31,
4 2019[, but before January 1, 2023; and

5 7. 28% for a taxable year beginning after December 31,
6 2022].

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

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

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

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

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

21 (iii) [The tax credit allowed under this paragraph may not exceed
22 \$530 for a taxable year.

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

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

29 (i) the earned income credit allowable for the taxable year under §
30 32 of the Internal Revenue Code or that would have been allowable but for the limitation
31 under § 32(m) of the Internal Revenue Code multiplied by 10 times the county income tax
32 rate for the taxable year; or

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

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

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

7 (iii) If a county provides for a refundable county earned income credit
8 under this paragraph, a resident may claim a refund of the amount, if any, by which the
9 product of multiplying the credit allowable for the taxable year under § 32 of the Internal
10 Revenue Code or that would have been allowable but for the limitation under § 32(m) of
11 the Internal Revenue Code by 5 times the county income tax rate for the taxable year
12 exceeds the county 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 (e) (1) Subject to paragraph (2) of this subsection, for an individual who is a
17 resident of the State for only a part of the year, the amount of the credit or refund allowed
18 under this section shall be determined based on the part of the earned income credit
19 allowable for the taxable year under § 32 of the Internal Revenue Code that is attributable
20 to Maryland, determined by multiplying the federal earned income credit by a fraction:

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

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

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

29 10-751.

30 (a) (1) In this section the following words have the meanings indicated.

31 (2) “Qualified child” means a dependent of a taxpayer, if the dependent:

32 (i) is a dependent for purposes of § 152 of the Internal Revenue
33 Code; and

34 (ii) 1. **IS UNDER THE AGE OF 6 YEARS; OR**

