

percentage specified in subparagraph (ii) of this paragraph of the earned income credit allowable under § 32 of the Internal Revenue Code exceeds the State income tax for the taxable year.

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

1. 10% for a taxable year beginning after December 31, 1997 but before January 1, 2000;
2. 12.5% for a taxable year beginning after December 31, 1999 but before January 1, 2001; and
3. 15% for a taxable year beginning after December 31, 2000.

(C) SUBJECT TO SUBSECTION (D) OF THIS SECTION, THE CREDIT ALLOWED AGAINST THE COUNTY INCOME TAX UNDER SUBSECTION(A)(2) OF THIS SECTION IS THE LESSER OF:

- (1) THE EARNED INCOME CREDIT ALLOWABLE FOR THE TAXABLE YEAR UNDER § 32 OF THE INTERNAL REVENUE CODE MULTIPLIED BY 10 TIMES THE COUNTY INCOME TAX RATE FOR THE TAXABLE YEAR; OR
- (2) THE COUNTY INCOME TAX FOR THE TAXABLE YEAR.

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

- (1) the numerator of which is the Maryland adjusted gross income of the individual; and
- (2) the denominator of which is the federal adjusted gross income of the individual.

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(a) Except as otherwise provided in this section[:

(1)], a credit allowed under this subtitle is allowed against the State income tax only[; and

(2) the county income tax is based on the State income tax before the State income tax is reduced by the credit].

(b) [(1)] A credit under § 10-701 of this subtitle is allowed against the total county and State income taxes.

[(2) The county income tax is based on the amount of State income tax before the State income tax is reduced by the credit.]