

# Personal tax tip #50

## Families and Maryland Income Taxes

### What is Maryland's income tax rate?

Maryland's graduated personal income tax rates start at 2% on the first \$1,000 of taxable income and increase up to a maximum of 5.75% on incomes exceeding \$250,000. For an overview, see [Maryland's Income Tax Rates and Brackets](#).

### What about the local income tax?

The local income tax, which is collected on the state income tax form as a convenience for local governments, is calculated as a percentage of your taxable income. For more information, see [Local Tax Rates](#).

### Can I pay my balance due electronically?

Yes, you can pay your current Maryland tax amount due by direct debit at the time of filing if you file online using [iFile](#) or another [electronic filing](#) method. If you file electronically by the April 15 deadline, you have until April 30 to make the electronic payment (by direct debit or credit card). If you file electronically and pay by check or money order, your payment is due by April 15. (Personal income tax returns are due by April 15.)

### Can I pay my tax with a credit card?

Yes. You can pay your Maryland tax due with a credit card, using MasterCard, Discover, American Express or VISA. For more information, see [Paying Maryland Taxes with a Credit Card](#) or Instruction 24 in your Maryland tax booklet.

### Can I pay my tax by direct debit?

You can pay your Maryland tax due by direct debit, if you file electronically. For more information, see Pay with [Direct Debit](#). If you already have an existing tax liability, you may be able to pay online, using our [Bill Pay service](#). (Please check both links to make sure they point to the updated pages).

### Is there a tax break if both spouses have income?

Yes, you can claim the two-income married couple subtraction on line 14 of Maryland Form 502. This is a state-only deduction that reduces your taxable income. Married couples filing a joint return, when both have taxable income, may subtract up to \$1,200 or the income of the spouse with the lower income, whichever is less. A worksheet is included in Instruction 13 to help you calculate the subtraction.

### What about child care costs?

You can claim two separate tax breaks for child or dependent care costs on your Maryland return. The first benefit is a state tax deduction (or subtraction) which reduces your taxable income. If you have eligible child or dependent care expenses, first determine your federal tax credit by completing the calculation on federal Form 2441. Transfer the amount of child or dependent care expenses (not the federal tax credit) claimed on the federal form to line 9 of Maryland Form 502. You can subtract actual expenses up to the legal maximums of \$3,000 for one child or \$6,000 for two or more children.

### What about the other state benefit for child care?

If you were eligible for the federal tax credit for child and dependent care, you may be entitled to a credit on your Maryland state income tax return, using Form 502CR. The credit starts at 32.5% of the federal credit allowed, but is phased out for taxpayers with federal adjusted gross incomes above

\$41,000 (\$20,500 for individuals who are married, but file separate income tax returns). No credit is allowed for individuals whose federal adjusted gross income exceeds \$50,000 (\$25,000 for married filing separately). This credit does not affect the treatment or eligibility of the state deduction for child care costs.

### **What is the earned income tax credit?**

It's a special tax break available on both the federal and Maryland income tax returns for taxpayers who work and earn up to a certain amount of income. On your Maryland return, you can claim an earned income credit equal to 50% of the federal earned income credit.

### **Who is eligible for the Maryland earned income credit?**

You must be a worker who is eligible for the federal credit and meets one of the following conditions for tax year 2017:

- You have three or more qualifying children and you earn less than \$48,340 (\$53,930 if married filing jointly).
- You have two qualifying children and you earn less than \$45,007 (\$50,597 if married filing jointly).
- You have one qualifying child and you earn less than \$39,617 (\$45,207 if married filing jointly).
- You do not have a qualifying child and you earn less than \$15,110 (\$20,600 if married filing jointly).

### **How do I claim the earned income tax credit?**

Start with your federal return. Find the federal earned income credit you claimed on your federal return. Enter one-half of that amount on line 22 of Maryland Form 502. If you filed a joint federal return, but a separate Maryland return, you may claim a combined total of up to one-half the federal credit.

### **Can I get a refundable earned income credit even if I'm not required to file a Maryland return?**

Yes. If one-half of your federal income credit is greater than your Maryland tax and you have one or more dependents you could claim as exemptions on your federal return, you may be eligible for a cash benefit from the state. Complete the worksheet provided in Instruction 21 of the Maryland tax booklet. Enter the result on line 42 of Form 502.

### **Who's eligible for Maryland's poverty level credit?**

Taxpayers whose earned income and federal adjusted gross income are less than the poverty level income for the number of exemptions claimed on their federal return may be eligible for a special credit on Maryland Form 502.

### **How can I tell if I'm eligible?**

If you checked filing status 6 on your Maryland return, you are not eligible. If you checked any other filing status, then complete line 1 of Maryland Form 502. Next, complete the worksheet provided in Instruction 18 of the resident tax booklet instructions to see if you are eligible.

### **How do I claim the benefit?**

If you completed the worksheet and qualify for the poverty level credit, enter the amount from line 5 of the worksheet on line 23 of Form 502.

### **How is unemployment compensation treated on the Maryland return?**

Unemployment compensation is fully taxable in Maryland.