Maryland

Credit Name: Tax Credit for Child and Dependent Care Expenses

Type of Provision: Refundable Tax Credit, if federal Adjusted Gross Income (AGI) is $50,000 or less for individuals or $75,000 or less for married couples filing jointly¹

Calculation: A percentage, based on federal AGI, of the federal Child and Dependent Care Tax Credit (CDCTC) received²

<table>
<thead>
<tr>
<th>Sample Household Federal AGI Ranges*</th>
<th>Percentage of Federal Credit</th>
<th>Maximum Value: 1 Child/Dependent</th>
<th>Maximum Value: 2+ Children/Dependents</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $43,000</td>
<td>32%</td>
<td>$336</td>
<td>$672</td>
</tr>
<tr>
<td>$43,001 - $50,000</td>
<td>32%</td>
<td>$202</td>
<td>$403</td>
</tr>
<tr>
<td>$68,001 - $71,000</td>
<td>25%</td>
<td>$158</td>
<td>$315</td>
</tr>
<tr>
<td>$83,001 - $86,000</td>
<td>20%</td>
<td>$126</td>
<td>$252</td>
</tr>
<tr>
<td>$98,001 - $101,000</td>
<td>15%</td>
<td>$95</td>
<td>$189</td>
</tr>
<tr>
<td>$113,001 - $116,001</td>
<td>10.00%</td>
<td>$63</td>
<td>$126</td>
</tr>
<tr>
<td>$128,001 - $131,000</td>
<td>5.00%</td>
<td>$32</td>
<td>$63</td>
</tr>
<tr>
<td>$143,001 and over</td>
<td>0.00%</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

*Household income levels apply to married filing jointly tax filers. For all income ranges, including for individuals, see https://www.marylandtaxes.gov/forms/current_forms/502CR.pdf.

Maximum Value:

• One Child/Dependent: $336
• Two or More Children/Dependents: $672

Income Cutoff: over $143,001 for married couples filing jointly (over $92,001 for individuals)³

¹ Nonresidents cannot claim this credit.
² This means that the state credit is based on the nonrefundable federal credit after it has been reduced by federal tax liability. Because low- and moderate-income families have lower tax liability, they may not receive the full value of their federal credit (or any credit at all). As a result, the value of their state credit may be limited.
³ In 2019, the Maryland legislature passed cost-of-living adjustments for the income thresholds that will start applying in Tax Year 2020.
**Family Illustrations:**

A woman who has an income of $30,000, is raising an infant on her own, and pays $10,009 in child care expenses could receive a maximum credit of $259, depending on her tax liability.\(^4\)

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $18,152 in child care expenses, could receive a maximum credit of $384, depending on their tax liability.

\(^4\) Access the methodology for these calculations [here](#).

**While there are numerous options to improve this provision, impactful changes would include:**

- Allowing families to claim the state credit regardless of whether the family had enough federal tax liability to receive the full amount of the federal credit (or to receive the credit at all). This will give more low-income families access to this tax credit, and potentially increase the credit amount.

- Increasing the percentage of the federal credit used to calculate the state credit to increase the maximum value of the credit and provide more help to families.

\(^4\) Because this credit is based on the nonrefundable federal credit received, the family’s federal tax liability impacts the amount of the federal credit the family is eligible to receive, as described above.
Deduction Name: Subtraction for Child and Dependent Care Expenses

Type of Provision: Subtraction (similar to a deduction)

Calculation: The amount of expenses claimed under the federal CDCTC is subtracted from income, before deductions are taken. The amount of tax savings is worth the amount of expenses multiplied by the taxpayer’s Maryland income tax rate. The top Maryland income tax rate is 5.75%.

Maximum Value of Tax Savings:
- One Child/Dependent: $173
- Two or More Children/Dependants: $345

Income Cutoff: none

Family Illustrations:
A woman who has an income of $30,000, is raising an infant on her own, and pays $10,009 in child care expenses could receive a maximum of $143 in tax savings.

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $18,152 in child care expenses, could receive a maximum of $285 in tax savings.

While there are numerous options to improve this provision, impactful changes would include: Allowing families to claim child and dependent care expenses, up to the federal CDCTC’s maximum of $3,000 for one child or dependent or $6,000 for two or more children or dependents, for the state subtraction regardless of whether the family had federal tax liability and received the federal CDCTC. This will give more low-income families access to this tax benefit.

Note: Families can claim both the credit and the subtraction.