

Tax Alert



Tax Alert Comptroller of Maryland
Revenue Administration Division
110 Carroll Street
Annapolis, Maryland 21401

Call 1-800-MD-TAXES (1-800-638-2937)
or from Central Maryland 410-260-7980

For tax information: www.marylandtaxes.gov.
Questions? Send them to taxhelp@marylandtaxes.gov.

21-10

REQUIREMENT TO NOTIFY EMPLOYEES OF POTENTIAL EARNED INCOME TAX CREDIT (EITC) ELIGIBILITY

Tax-General Article § 10-913 requires an employer to provide, on or before December 31, 2021, electronic or written notice to an employee who may be eligible for the federal and Maryland EITC.

Your employees may be entitled to claim an EITC on their 2021 federal and Maryland **resident** income tax returns if both their federal adjusted gross income and their earned income is less than the following:

- \$51,464 (\$57,414 married filing jointly) with three or more qualifying children
- \$47,915 (\$53,865 married filing jointly) with two qualifying children
- \$42,158 (\$48,108 married filing jointly) with one qualifying child
- \$21,430 (\$27,380 married filing jointly) with no qualifying children

Employees who meet this income eligibility should be advised to go to the Internal Revenue Service Website at www.irs.gov, or contact their tax advisor, to see if they meet the other federal criteria. Employees who are eligible for the federal credit are eligible for the Maryland credit. Married employees or employees with qualifying children may qualify for up to half of the federal earned income credit. Employees without a qualifying child may qualify for the full amount of the federal credit up to \$530. Employees who would otherwise qualify for the federal credit but for federal requirements excluded from Maryland law may claim the state earned income credit by calculating the federal earned income credit disregarding those requirements. There is no minimum age requirement for taxpayers without a qualifying child, nor must taxpayers have a social security number to qualify for the Maryland credit. Additionally, certain employees may also qualify for a refundable Maryland credit or a local EITC.

You may choose to notify all your employees or you may choose to notify only those employees with wages less than or equal to the amounts shown above. A sample notification is included on the back of this alert and may be photocopied and distributed to your employees, or you may choose to develop your own notice.

For more information about the Maryland EITC, visit our Web site at www.marylandtaxes.gov, or call 1-800-MD-TAXES (1-800-638-2937) or from Central Maryland 410-260-7980.

Reminder: Legally married same-sex couples must file as married filing jointly or married filing separately for tax year 2021. Employees wishing to adjust their withholding to reflect married status should complete a new Maryland Form MW507, as well as federal Form W-4.

Recordatorio: Parejas del mismo sexo legalmente casadas deberán presentar la declaración de impuestos como casado en conjunto o casado pero realizando la presentación separado para el año tributario 2021. Empleados que deseen ajustar la retención de impuestos con su empleador para reflejar el estado civil como casado, deberán completar una nueva forma de Maryland MW507 así como la forma federal W-4.

Please see our 2022 edition of Withholding Tax Facts which offers more information about filing your employer withholding tax forms, reconciliation statement and other employer withholding related forms.

Withholding Tax Facts is available at www.marylandtaxes.gov.

IMPORTANT NOTICE TO MARYLAND EMPLOYEES

Did you know that federal and Maryland earned income tax credits are available to certain low-income individuals and families?

These credits can reduce the amount of income tax you owe or increase your income tax refund; and, you may qualify to receive some of these credits even if you did not earn enough income to be required to file a tax return.

2021 Maryland Earned Income Tax Credit (EITC)

Maryland's EITC is a credit for certain taxpayers who have income and have worked. The state EITC reduces the amount of Maryland tax you owe. The local EITC reduces the amount of county tax you owe. Some taxpayers may even qualify for a refundable Maryland EITC.

Most taxpayers who are eligible and file for a federal EITC can receive the Maryland state and local EITC. The allowable Maryland credit is up to one-half of the federal credit. To be eligible for the federal and Maryland EITC, your federal adjusted gross income and your earned income must be less than the following:

- \$51,464 (\$57,414 married filing jointly) with three or more qualifying children
- \$47,915 (\$53,865 married filing jointly) with two qualifying children
- \$42,158 (\$48,108 married filing jointly) with one qualifying child
- \$21,430 (\$27,380 married filing jointly) with no qualifying children

Generally, to receive the Maryland EITC, you must be eligible for the federal credit. However, if you do not meet the minimum age requirement under the federal credit and are otherwise eligible for the federal credit for those without a qualifying child, or if you are otherwise eligible for the federal credit but do not have a social security number (SSN), you may claim the state earned income tax credit (calculate federal earned income credit disregarding the minimum age or SSN requirement). If your income is less than the amounts shown in this notice, visit the Internal Revenue Service Web site at www.irs.gov, or contact your tax advisor, to learn if you meet the other requirements. You also may be entitled to a refundable Maryland EITC and to a local EITC.

If you are a part-year resident, you may be entitled to a prorated share of the credit, if you have Maryland income. As of 2017, nonresidents are no longer eligible for the Maryland credit.

For more information about the Maryland EITC, visit our Web site at www.marylandtaxes.gov or call 1-800-MD-TAXES (1-800-638-2937) or from Central Maryland 410-260-7980.

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2021 Federal Earned Income Tax Credit (EITC)

For more information about the federal EITC,
visit: <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit-eitc>
or call the IRS at 1-800-829-1040.