SB 562

Department of Legislative Services

Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

Senate Bill 562 (Senator Peters)
Budget and Taxation Ways and Means

Tax Credits - Employment of Individuals With Disabilities

This bill increases the maximum value of the Qualifying Employees with Disabilities Tax Credit.

The bill takes effect July 1, 2015, and applies to tax year 2015 and beyond.

Fiscal Summary

State Effect: General fund revenues decrease by $26,900 in FY 2016 as a result of additional tax credits being claimed against the corporate income tax. Transportation Trust Fund (TTF) revenues decrease by $5,700 and Higher Education Investment Fund (HEIF) revenues decrease by $2,100 in FY 2016. Future year revenue estimates reflect expansion of the credit and a stable number of claimants. Expenditures are not affected.

($ in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GF Revenue	($26,900)	($27,500)	($27,500)	($27,500)	($27,500)
SF Revenue	($7,800)	($7,200)	($7,200)	($7,200)	($7,200)
Expenditure	0	0	0	0	0
Net Effect	($34,700)	($34,700)	($34,700)	($34,700)	($34,700)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Local highway user revenues decrease by $500 annually beginning in FY 2016. Expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Bill Summary: This bill increases the maximum values of the Qualifying Employees with Disabilities Tax Credit. Employers can claim a credit equal to 30% of the first $9,000 of wages paid to the qualifying employee for each of the first two years of employment, and the maximum amount of eligible child care and transportation expenses that can be claimed in each of the first two years is increased to $900.

Current Law/Background: Administered by the Department of Labor, Licensing, and Regulation (DLLR), the Qualifying Employees with Disabilities Tax Credit allows an employer who hires a qualified individual with disabilities to claim a tax credit for certain wages paid to the employee and for child care and transportation expenses paid on behalf of the employee in the first two years of employment. A qualified individual with a disability is a person who (1) meets the definition of an individual with a disability as defined by the Americans with Disabilities Act; (2) has a disability that presently constitutes an impediment to obtaining or maintaining employment or to transitioning from school to work; (3) is ready for employment; and (4) has been determined as having met the criteria of a qualified employee with a disability. A qualified individual also includes an individual who (1) has been discharged or released from active duty in the U.S. Armed Forces for a service-connected disability and (2) other individuals meeting the requirements described above, whether or not the individual receives services from DLLR.

Employers can claim a credit equal to 30% of the first $6,000 of wages paid to the employee (20% in year two). Employers can claim a credit of up to $600 of child care or transportation expenses paid on behalf of qualifying employees in the first year of employment ($500 in year two). The amount of the credit may not exceed the tax liability for the taxable year, and any unused amount may be carried forward five tax years. **Exhibit 1** lists the amount of Qualifying Employees with Disabilities tax credits claimed in tax years 1999 through 2010.

The program is administered by the Division of Rehabilitation Services within DLLR. The number of individuals certified by DLLR as being eligible for the program decreased from an annual average of 400 in 2004 and 2005 to about 200 in 2006 through 2008. After further decreasing to 9 individuals in 2009 and 15 individuals in 2010, DLLR certified 72 individuals in 2011. Chapter 443 of 2013 repealed the termination date of the program, and also stated the intent of the General Assembly that DLLR, the Department of Disabilities, and the Department of Veterans Affairs make every effort to promote and market the tax credit program to Maryland employers.

Exhibit 1
Employees with Disabilities Credits Claimed
Tax Year 1999-2010

Tax Year	Returns	Credits Claimed	Average
1999	30	$59,500	$1,983
2000	47	65,100	1,385
2001	26	23,300	896
2002	23	21,700	943
2003	15	185,700	12,380
2004	19	405,100	21,321
2005	27	374,900	13,885
2006	20	60,621	3,031
2007	7	15,446	2,207
2008	13	13,472	1,036
2009	8	18,542	2,318
2010	8	26,845	3,356

State Fiscal Effect: The bill expands the Qualifying Employees with Disabilities Tax Credit beginning with tax year 2015. As a result, general fund revenues will decrease by $26,900, TTF revenues will decrease by $5,700, and HEIF revenues will decrease by $2,100 in fiscal 2016.

This estimate is based on the history of the existing tax credit and the following facts and assumptions:

- an average of $50,000 in credits will be claimed in each tax year;
- the add-back provision of the credit reduces revenue losses by 8.25% of the additional amount claimed in each tax year; and
- 100% of credits will be claimed against the corporate income tax.

To the extent that the increased credit values encourage more businesses to claim the credit, revenue losses will be more than estimated.

Local Revenues: Local highway user revenues will decrease as a result of credits claimed against the corporate income tax. Local highway user revenues will decrease by $500 annually beginning in fiscal 2016.

Additional Information

Prior Introductions: None.

Cross File: HB 473 (Delegate Kramer, *et al.*) - Ways and Means.

Information Source(s): Comptroller's Office; Department of Labor, Licensing, and Regulation; Department of Legislative Services

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