# SENATE BILL 562

O3 5lr2224
CF HB 473

By: **Senator Peters**
Introduced and read first time: February 6, 2015
Assigned to: Budget and Taxation

A BILL ENTITLED

AN ACT concerning

**Tax Credits – Employment of Individuals With Disabilities**

FOR the purpose of altering the amount of certain credits against the State income tax, insurance premium tax, financial institution franchise tax, and public service company franchise tax for certain wages paid and certain child care or transportation expenses incurred by certain business entities with respect to certain employees with disabilities; repealing a certain obsolete provision of law; providing for the application of this Act; and generally relating to tax credits for wages paid and child care or transportation expenses incurred by a business entity with respect to the employment of individuals with disabilities.

BY repealing and reenacting, with amendments,
Article – Education
Section 21–309
Annotated Code of Maryland
(2014 Replacement Volume and 2014 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

**Article – Education**

21–309.

(a) (1) In this section the following words have the meanings indicated.

(2) "Business entity" means:

(i) A person conducting or operating a trade or business in Maryland; or

EXPLANATION: **CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.**
**[**Brackets**]** indicate matter deleted from existing law.

(ii) An organization operating in Maryland that is exempt from taxation under § 501(c)(3) or (4) of the Internal Revenue Code.

(3) "Division" means the Division of Rehabilitation Services of the Maryland State Department of Education.

(4) "Qualified child care or transportation expenses" means:

(i) State regulated child care expenses that are incurred by a business entity to enable a qualified employee with a disability to be gainfully employed; or

(ii) Transportation expenses that are incurred by a business entity to enable a qualified employee with a disability to travel to and from work.

(5) (i) "Qualified employee with a disability" means an individual 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 by the Division or the Department of Labor, Licensing, and Regulation, in consultation with the Division, as having met the criteria of a qualified employee with a disability established under this section.

(ii) "Qualified employee with a disability" includes:

1. An individual who has been determined by the Department of Labor, Licensing, and Regulation, in consultation with the United States Veterans Administration, as having been discharged or released from active duty in the armed forces of the United States for a service–connected disability; and

2. Any other individual meeting the definition of subparagraph (i) of this paragraph, whether or not the individual receives services from the Division.

(6) "Wages" means wages, within the meaning of § 51(c)(1), (2), and (3) of the Internal Revenue Code without regard to § 51(c)(4) of the Internal Revenue Code that are paid by a business entity to an employee for services performed in a trade or business of the employer.

(b) (1) Except as provided in subsection (e) of this section, a business entity may claim a tax credit in the amounts determined under subsections (c) and (d) of this

section for the wages and qualified child care or transportation expenses with respect to a qualified employee with a disability that are paid in the taxable year for which the business entity claims the credit.

(2) The same tax credit cannot be applied more than once against different taxes by the same taxpayer.

(c) For each taxable year, for the wages paid to each qualified employee with a disability, a credit is allowed in an amount equal to**[**:

(1)**]** 30% of up to the first **[**$6,000**] $9,000** of the wages paid to the qualified employee with a disability during **EACH OF** the **[**1st year**] FIRST 2 YEARS** of employment**[**; and

(2) 20% of up to the first $6,000 of the wages paid to the qualified employee with a disability during the 2nd year of employment**]**.

(d) For each taxable year, for child care provided or paid for by a business entity for the children of a qualified employee with a disability, or transportation expenses that are incurred by a business entity to enable a qualified employee with a disability to travel to and from work, a credit is allowed in an amount equal to**[**:

(1) Up**] UP** to **[**$600**] $900** of the qualified child care or transportation expenses incurred for each qualified employee with a disability during **EACH OF** the first **[**year**] 2 YEARS** of employment**[**; and

(2) Up to $500 of the qualified child care or transportation expenses incurred for each qualified employee with a disability during the second year of employment**]**.

(e) (1) A business entity may not claim the credit under this section for an employee:

(i) Who is hired to replace a laid–off employee or to replace an employee who is on strike; or

(ii) For whom the business entity simultaneously receives federal or State employment training benefits.

(2) A business entity may not claim the credit under this section until it has notified the Division that a qualified employee with a disability has been hired.

(3) A business entity may claim a credit in the amount provided in paragraph **[**(5)**] (4)** of this subsection for an employee whose employment lasts less than 1 year if the employee:

(i) Voluntarily terminates employment with the employer;

(ii) Is unable to continue employment due to a further disability or death; or

(iii) Is terminated for cause.

(4) **[**A business entity may not claim the credit under this section if the business entity is claiming a tax credit for the same employee under § 10–704.3 of the Tax – General Article.

(5)**]** (i) If a business entity is entitled to a tax credit for an employee who is employed for less than 1 year because the employee voluntarily terminates employment with the employer to take another job, the business entity may claim a tax credit of 30% of up to the first **[**$6,000**] $9,000** of the wages paid to the employee during the course of employment.

(ii) If a business entity is entitled to a tax credit for an employee who is employed for less than 1 year for a reason other than that described in subparagraph (i) of this paragraph, the amount of the credit shall be reduced by the proportion of a year that the employee did not work.

(f) If the credit allowed under this section in any taxable year exceeds the total tax otherwise payable by the business entity for that taxable year, a business entity may apply the excess as a credit for succeeding taxable years until the earlier of:

(1) The full amount of the excess is used; or

(2) The expiration of the 5th taxable year after the taxable year in which the wages or qualified child care or transportation expenses for which the credit is claimed are paid.

(g) If a credit is claimed under this section, the claimant must make the addition required in § 10–205 or § 10–306 of the Tax – General Article.

(h) (1) Subject to the provisions of this subsection, the Department of Labor, Licensing, and Regulation and the State Department of Education shall jointly adopt regulations necessary to carry out the provisions of this section.

(2) The Comptroller shall adopt regulations to provide for the computation and carryover of the credit under § 10–704.7 of the Tax – General Article.

(3) The State Department of Assessments and Taxation shall adopt regulations to provide for the computation and carryover of the credit under §§ 8–216 and 8–413 of the Tax – General Article.

(4) The Maryland Insurance Commissioner shall adopt regulations to provide for the computation and carryover of the credit under § 6–115 of the Insurance Article.

(i) The Department of Labor, Licensing, and Regulation shall administer the tax credit and report to the Governor, and, subject to § 2–1246 of the State Government Article, to the General Assembly, before January 15 of each year on:

(1) Marketing activities for the credit under this section;

(2) The number of business entities who hired a qualified employee with a disability during the preceding year;

(3) The number of qualified employees with disabilities:

(i) Hired in each business sector for the preceding year; and

(ii) Hired during the preceding year and employed for less than 1 year;

(4) A summary of the average hourly wages paid to qualified employees with disabilities for the preceding year;

(5) The number and amount of credits claimed during the preceding year; and

(6) The number and amount of credits claimed for child care or transportation expenses, including a summary of the types of transportation expenses incurred by business entities.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2015, and shall be applicable to all taxable years beginning after December 31, 2014.