

# HOUSE BILL 476

Q3

8lr0926

---

By: **Delegates Ali, Gibson, Morales, Mosby, and Rosenberg**

Introduced and read first time: January 25, 2018

Assigned to: Ways and Means

---

## A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax Credit – Employment of Diversion Program Participants**  
3 **(Second Chance Act)**

4 FOR the purpose of allowing a credit against the State income tax for certain wages paid  
5 by certain business entities to certain employees who participate in a certain  
6 diversion program; providing for the calculation of the credit; prohibiting a business  
7 entity from claiming the credit under certain circumstances; allowing certain tax  
8 exempt business entities to apply the credit against certain withholdings; providing  
9 that the credit may not exceed the total tax payable by a business entity for a taxable  
10 year and may not be carried over to any other taxable year; defining certain terms;  
11 providing for the application of this Act; and generally relating to a State income tax  
12 credit for wages paid to employees who participate in a diversion program.

13 BY adding to

14 Article – Tax – General

15 Section 10–746

16 Annotated Code of Maryland

17 (2016 Replacement Volume and 2017 Supplement)

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

20 **Article – Tax – General**

21 **10–746.**

22 **(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS**  
23 **INDICATED.**

24 **(2) “BUSINESS ENTITY” MEANS:**

---

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (I) A PERSON CONDUCTING OR OPERATING A TRADE OR  
2 BUSINESS IN THE STATE; OR

3 (II) AN ORGANIZATION OPERATING IN THE STATE THAT IS  
4 EXEMPT FROM TAXATION UNDER § 501(C)(3) OR (4) OF THE INTERNAL REVENUE  
5 CODE.

6 (3) "DIVERSION PROGRAM" MEANS A PROGRAM IN THE STATE THAT  
7 PROVIDES REHABILITATION AND TRAINING SERVICES IN LIEU OF CRIMINAL  
8 PROSECUTION TO AN INDIVIDUAL CHARGED WITH A NONVIOLENT CRIMINAL  
9 OFFENSE.

10 (4) "QUALIFIED EMPLOYEE" MEANS AN INDIVIDUAL WHO  
11 PARTICIPATES IN A DIVERSION PROGRAM.

12 (B) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, A  
13 BUSINESS ENTITY THAT HIRES A QUALIFIED EMPLOYEE MAY CLAIM A CREDIT  
14 AGAINST THE STATE INCOME TAX IN THE AMOUNT DETERMINED UNDER  
15 SUBSECTION (C) OF THIS SECTION FOR WAGES PAID TO THE QUALIFIED EMPLOYEE.

16 (2) A BUSINESS ENTITY MAY NOT CLAIM THE CREDIT UNDER THIS  
17 SECTION FOR A QUALIFIED EMPLOYEE WHO IS HIRED TO REPLACE A LAID-OFF  
18 EMPLOYEE OR AN EMPLOYEE WHO IS ON STRIKE.

19 (C) FOR EACH TAXABLE YEAR, FOR THE WAGES PAID TO EACH QUALIFIED  
20 EMPLOYEE, A CREDIT IS ALLOWED IN AN AMOUNT EQUAL TO:

21 (1) 30% OF UP TO THE FIRST \$6,000 OF WAGES PAID TO THE  
22 QUALIFIED EMPLOYEE DURING THE FIRST YEAR OF EMPLOYMENT; AND

23 (2) 20% OF UP TO THE FIRST \$6,000 OF WAGES PAID TO THE  
24 QUALIFIED EMPLOYEE DURING THE SECOND YEAR OF EMPLOYMENT.

25 (D) A BUSINESS ENTITY THAT IS EXEMPT FROM TAXATION UNDER §  
26 501(C)(3) OR (4) OF THE INTERNAL REVENUE CODE MAY APPLY THE CREDIT UNDER  
27 THIS SECTION AS A CREDIT FOR THE PAYMENT TO THE COMPTROLLER OF TAXES  
28 THAT THE BUSINESS ENTITY:

29 (1) IS REQUIRED TO WITHHOLD FROM THE WAGES OF EMPLOYEES  
30 UNDER § 10-908 OF THIS TITLE; AND

1                   **(2) IS REQUIRED TO PAY TO THE COMPTROLLER UNDER § 10-906(A)**  
2 **OF THIS TITLE.**

3           **(E) (1) EXCEPT AS PROVIDED IN SUBSECTION (D) OF THIS SECTION, FOR**  
4 **ANY TAXABLE YEAR, THE TOTAL AMOUNT OF THE CREDITS ALLOWED UNDER THIS**  
5 **SECTION MAY NOT EXCEED THE TOTAL TAX OTHERWISE PAYABLE BY THE BUSINESS**  
6 **ENTITY FOR THAT TAXABLE YEAR.**

7                   **(2) ANY UNUSED AMOUNT OF THE CREDIT MAY NOT BE CARRIED**  
8 **OVER TO ANY OTHER TAXABLE YEAR.**

9           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
10 1, 2018, and shall be applicable to all taxable years beginning after December 31, 2017.