

# SENATE BILL 134

Q3

8lr0121  
CF 8lr0122

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By: **The President (By Request – Administration)**

Introduced and read first time: January 11, 2018

Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

2 **Small Business Relief Tax Credit**

3 FOR the purpose of authorizing a tax credit against the State income tax for certain small  
4 businesses that provide certain employer benefits to certain qualified employees;  
5 providing for the calculation of the credit; requiring the Department of Commerce,  
6 on application of a small business, to issue a tax credit certificate under certain  
7 circumstances; requiring the application to contain certain information; requiring  
8 the Department to approve applications on a first–come, first–served basis and notify  
9 applicants of approval or denial of an application within a certain number of days  
10 after receipt of the application; providing that the total amount of tax credit  
11 certificates issued by the Department may not exceed a certain amount for each  
12 taxable year; requiring the Department to report certain information to the  
13 Comptroller on or before a certain date each year; requiring the Department to adopt  
14 certain regulations; defining certain terms; providing for the application of this Act;  
15 making this Act contingent on the taking effect of another Act; and generally relating  
16 to a State income tax credit for businesses that provide employer benefits to qualified  
17 employees.

18 BY adding to  
19 Article – Tax – General  
20 Section 10–746  
21 Annotated Code of Maryland  
22 (2016 Replacement Volume and 2017 Supplement)

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

25 **Article – Tax – General**

26 **10–746.**

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

3                   **(2) “DEPARTMENT” MEANS THE DEPARTMENT OF COMMERCE.**

4                   **(3) “QUALIFIED EMPLOYEE” MEANS AN INDIVIDUAL WHO:**

5                           **(I) IS EMPLOYED BY A SMALL BUSINESS;**

6                           **(II) EARNS WAGES PAID BY THE SMALL BUSINESS THAT ARE**  
7 **EQUAL TO OR LESS THAN 200% OF THE ANNUAL FEDERAL POVERTY GUIDELINES**  
8 **FOR A SINGLE-PERSON HOUSEHOLD; AND**

9                           **(III) EARNS PAID TIME OFF IN ACCORDANCE WITH TITLE 3,**  
10 **SUBTITLE 13 OF THE LABOR AND EMPLOYMENT ARTICLE AND AT LEAST ONE**  
11 **ADDITIONAL QUALIFIED EMPLOYER BENEFIT DESCRIBED UNDER PARAGRAPH**  
12 **(4)(II) THROUGH (V) OF THIS SUBSECTION.**

13                   **(4) “QUALIFIED EMPLOYER BENEFIT” MEANS:**

14                           **(I) PAID TIME OFF PROVIDED IN ACCORDANCE WITH TITLE 3,**  
15 **SUBTITLE 13 OF THE LABOR AND EMPLOYMENT ARTICLE;**

16                           **(II) A QUALIFIED TRANSPORTATION FRINGE, AS DEFINED IN §**  
17 **132(F) OF THE INTERNAL REVENUE CODE;**

18                           **(III) A DEPENDENT CARE ASSISTANCE PROGRAM, AS DESCRIBED**  
19 **IN § 129 OF THE INTERNAL REVENUE CODE;**

20                           **(IV) AN EDUCATIONAL ASSISTANCE PROGRAM, AS DESCRIBED IN**  
21 **§ 127 OF THE INTERNAL REVENUE CODE; OR**

22                           **(V) EMPLOYER CONTRIBUTIONS TO HEALTH SAVINGS**  
23 **ACCOUNTS, AS DESCRIBED IN § 106 OF THE INTERNAL REVENUE CODE.**

24                   **(5) “SMALL BUSINESS” MEANS AN INDIVIDUAL, A PARTNERSHIP, A**  
25 **LIMITED PARTNERSHIP, A LIMITED LIABILITY PARTNERSHIP, A LIMITED LIABILITY**  
26 **COMPANY, OR A CORPORATION THAT EMPLOYS FEWER THAN 50 EMPLOYEES.**

27           **(B) A SMALL BUSINESS THAT HIRES A QUALIFIED EMPLOYEE MAY CLAIM A**  
28 **CREDIT AGAINST THE STATE INCOME TAX IN THE AMOUNT STATED ON THE TAX**  
29 **CREDIT CERTIFICATE ISSUED UNDER SUBSECTION (D) OF THIS SECTION.**

1           **(C) FOR EACH TAXABLE YEAR, THE CREDIT ALLOWED UNDER THIS SECTION**  
2 **MAY NOT EXCEED THE LESSER OF:**

3           **(1) AN AMOUNT THAT EQUALS \$1,000 FOR EACH QUALIFIED**  
4 **EMPLOYEE; OR**

5           **(2) AN AMOUNT THAT EQUALS THE TOTAL AMOUNT OF QUALIFIED**  
6 **EMPLOYER BENEFITS ACCRUED BY ALL QUALIFIED EMPLOYEES OF THE SMALL**  
7 **BUSINESS.**

8           **(D) (1) SUBJECT TO THE LIMITATIONS OF THIS SUBSECTION, ON**  
9 **APPLICATION BY A SMALL BUSINESS, THE DEPARTMENT SHALL ISSUE A TAX CREDIT**  
10 **CERTIFICATE IN THE AMOUNT ALLOWABLE UNDER SUBSECTION (C) OF THIS**  
11 **SECTION.**

12           **(2) THE APPLICATION SHALL INCLUDE:**

13                   **(I) THE NAME OF THE SMALL BUSINESS;**

14                   **(II) PROOF OF THE WAGES PAID TO EACH QUALIFIED**  
15 **EMPLOYEE;**

16                   **(III) PROOF OF THE TYPE AND VALUE OF BENEFITS ACCRUED TO**  
17 **EACH QUALIFIED EMPLOYEE; AND**

18                   **(IV) ANY OTHER INFORMATION THAT THE DEPARTMENT**  
19 **REQUIRES.**

20           **(3) THE DEPARTMENT SHALL:**

21                   **(I) APPROVE ALL APPLICATIONS THAT QUALIFY FOR A TAX**  
22 **CREDIT CERTIFICATE UNDER THIS SUBSECTION ON A FIRST-COME, FIRST-SERVED**  
23 **BASIS; AND**

24                   **(II) NOTIFY THE SMALL BUSINESS WITHIN 45 DAYS AFTER THE**  
25 **RECEIPT OF THE APPLICATION OF THE DEPARTMENT'S APPROVAL OR DENIAL OF**  
26 **THE APPLICATION.**

27           **(4) THE TOTAL AMOUNT OF CREDIT CERTIFICATES ISSUED BY THE**  
28 **DEPARTMENT UNDER THIS SUBSECTION MAY NOT EXCEED:**

29                   **(I) FOR TAXABLE YEAR 2018, \$5,000,000;**

1                   **(II) FOR TAXABLE YEAR 2019, \$15,000,000;**

2                   **(III) FOR TAXABLE YEAR 2020, \$35,000,000;**

3                   **(IV) FOR TAXABLE YEAR 2021, \$75,000,000; AND**

4                   **(V) FOR TAXABLE YEAR 2022 AND EACH TAXABLE YEAR**  
5 **THEREAFTER, \$100,000,000.**

6           **(E) ON OR BEFORE JANUARY 31 EACH TAXABLE YEAR, THE DEPARTMENT**  
7 **SHALL REPORT TO THE COMPTROLLER ON THE TAX CREDIT CERTIFICATES ISSUED**  
8 **UNDER THIS SECTION DURING THE PRIOR TAXABLE YEAR.**

9           **(F) THE DEPARTMENT SHALL ADOPT REGULATIONS TO:**

10                   **(1) IMPLEMENT THE PROVISIONS OF THIS SECTION; AND**

11                   **(2) SPECIFY CRITERIA AND PROCEDURES FOR APPLICATION FOR,**  
12 **APPROVAL OF, AND MONITORING CONTINUING ELIGIBILITY FOR THE TAX CREDIT**  
13 **UNDER THIS SECTION.**

14           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to all  
15 taxable years beginning after December 31, 2017.

16           SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
17 1, 2018, contingent on the taking effect of Chapter \_\_\_\_ (S.B. \_\_\_\_/H.B.  
18 \_\_\_\_)(8lr0118/8lr0117) of the Acts of the General Assembly of 2018, and if Chapter \_\_\_\_  
19 (S.B. \_\_\_\_/H.B. \_\_\_\_)(8lr0118/8lr0117) does not become effective, this Act, with no further  
20 action required by the General Assembly, shall be null and void.