

February 23, 2022

Testimony on Senate Bill 598
Income Tax – Work Opportunity Tax Credit
Senate Budget and Taxation Committee

Position: Favorable with Amendment

Maryland Nonprofits is a statewide association of more than 1300 nonprofit organizations and institutions. We urge you to support Senate Bill 598 with an amendment that allows those nonprofits who can participate in the federal Work Opportunity Tax Credit program to receive a similar incentive under this Bill.

Nonprofits represent approximately 12 percent of private employment in the state and have experienced most of the same workforce challenges as other employers throughout the COVID pandemic as well as losses of revenue.

While many of the provisions of the Federal WOTC do not apply to nonprofits, tax-exempt organizations described in IRC Section 501(C) may claim the credit for hiring qualified veterans. At the federal level, after the required certification (Form 8850) is secured, tax-exempt employers can claim the credit against the employer's share of Social Security tax by separately filing Form 5884-C, Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans.

At the state level, the amendment would allow nonprofit employers to claim the state tax credit against their employer withholding account with the State Comptroller. This process is already in state law and used for current state tax credits for employer provided commuting benefits, and for employment of persons with physical or mental disabilities.

We urge you to give Senate Bill 598 a favorable report as amended.

Proposed Amendments to the Senate Budget and Taxation Committee
(By Maryland Nonprofits)

AMENDMENTS TO SENATE BILL 598

(FIRST READING FILE BILL)

AMENDMENT NO. 1

On page 1, in line 5, after “employment;” insert: “allowing certain tax-exempt organizations to claim the credit under certain circumstances;”.

AMENDMENT NO. 2

On page 2, after line 2, insert:

“(C) AN EMPLOYER THAT IS AN ORGANIZATION EXEMPT FROM TAXATION UNDER § 501(C) OF THE INTERNAL REVENUE CODE MAY APPLY THE CREDIT UNDER THIS SECTION AS A CREDIT FOR THE PAYMENT TO THE COMPTROLLER OF TAXES THAT THE ORGANIZATION:

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

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

and in lines 3 and 5, strike “(C)” and “(D)”, respectively, and substitute “(D)” and “(E)”, respectively.