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**By: The Speaker (Administration) and Delegates Taylor, Hixson, Healey, Gordon, Bonsack, Rawlings, Kopp, Kach, Howard, Leopold, Bozman, Workman, Marriott, Heller, Beck, C. Davis, Holt**, Greenip, McKee, Finifter, Busch, and Shriver

Introduced and read first time: January 23, 1996

Assigned to: Ways and Means

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Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 15, 1996

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CHAPTER \_\_\_\_\_

1 AN ACT concerning

**2 Tax Credits - Creation of New Jobs and Employment of Individuals with Disabilities**

3 FOR the purpose of authorizing ~~the Secretary of Business and Economic Development to~~  
4 ~~approve~~ certain credits against the State income tax, insurance premiums tax,  
5 financial institution franchise tax, and public service company franchise tax ~~to for~~  
6 certain business entities that expand in or locate in the State and create a certain  
7 number of new full-time jobs at a certain wage level within a certain period;  
8 allowing an additional credit for certain jobs created in certain areas; defining  
9 certain terms; providing for the conditions to receive and calculation and use of the  
10 credit; ~~limiting the total credits the Secretary may approve in any fiscal year;~~  
11 ~~requiring certain notice to the Legislative Policy Committee prior to the approval of~~  
12 ~~any credit by the Secretary;~~ providing for certification by the Secretary of Business  
13 and Economic Development of business entities as eligible for the credit; limiting  
14 the maximum credit that a business entity may be allowed for any credit year;  
15 requiring the recapture of the credit under certain circumstances; allowing a credit  
16 against the State income tax, insurance premiums tax, financial institution franchise  
17 tax, and public service company franchise tax for certain wages paid to certain  
18 employees with disabilities; providing for the calculation and use of the credit;  
19 requiring certain addition modifications if the credit is claimed; requiring a certain  
20 certification prior to claiming the credit; prohibiting an employer from claiming the  
21 credit under certain circumstances; providing for the administration of the tax  
22 credits; requiring certain studies and reports; requiring the Governor to work with  
23 the chief executive officers of certain states and the District of Columbia to  
24 negotiate a certain agreement for the repeal of certain tax subsidy laws; providing  
25 for the effective date and application of this Act; providing for the termination of  
26 certain provisions of this Act; providing for the future codification of certain

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1 provisions of this Act; and generally relating to tax credits for the creation of new  
2 jobs and employment of individuals with disabilities.

3 BY adding to

4 Article 83A - Department of Business and Economic Development  
5 Section 5-1101 ~~and 5-1102~~ through 5-1103, to be under the new subtitle "Subtitle  
6 11. Job Creation Tax Credits"  
7 Annotated Code of Maryland  
8 (1995 Replacement Volume)

9 BY adding to

10 Article 48A - Insurance Code  
11 Section 632(e)  
12 Annotated Code of Maryland  
13 (1994 Replacement Volume and 1995 Supplement)

14 BY adding to

15 Article - Tax - General  
16 Section 8-214, 8-411, and 10-704.4  
17 Annotated Code of Maryland  
18 (1988 Volume and 1995 Supplement)

19 BY adding to

20 Article - Insurance  
21 Section 6-114  
22 Annotated Code of Maryland  
23 (1995 Volume)  
24 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

25 BY adding to

26 Article - Education  
27 Section 21-307  
28 Annotated Code of Maryland  
29 (1992 Replacement Volume and 1995 Supplement)

30 BY adding to

31 Article 48A - Insurance Code  
32 Section 632(f)  
33 Annotated Code of Maryland  
34 (1994 Replacement Volume and 1995 Supplement)

35 BY adding to

36 Article - Tax - General  
37 Section 8-215, 8-412, and 10-704.5  
38 Annotated Code of Maryland

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1 (1988 Volume and 1995 Supplement)

2 BY repealing and reenacting, with amendments,

3 Article - Tax - General

4 Section 10-205(b) and 10-306(b)(1)

5 Annotated Code of Maryland

6 (1988 Volume and 1995 Supplement)

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

9 **Article 83A - Department of Business and Economic Development**

10 SUBTITLE 11. JOB CREATION TAX CREDITS.

11 5-1101.

12 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS  
13 INDICATED.

14 (B) "CENTRAL FINANCIAL, REAL ESTATE, OR INSURANCE SERVICES" MEANS  
15 THE PERFORMANCE OF CENTRAL MANAGEMENT OR ADMINISTRATIVE FUNCTIONS  
16 FOR A BUSINESS ENTITY ENGAGED IN FINANCIAL, REAL ESTATE, OR INSURANCE  
17 SERVICES, SUCH AS GENERAL MANAGEMENT, ACCOUNTING, COMPUTER  
18 TABULATING, DATA PROCESSING, PURCHASING, TRANSPORTATION OR SHIPPING,  
19 ADVERTISING, LEGAL, FINANCIAL, AND RESEARCH AND DEVELOPMENT.

20 (C) (1) "COMPANY HEADQUARTERS" MEANS A FACILITY WHERE THE  
21 MAJORITY OF THE BUSINESS ENTITY'S FINANCIAL, PERSONNEL, LEGAL, AND  
22 PLANNING FUNCTIONS ARE HANDLED EITHER ON A REGIONAL OR NATIONAL BASIS.

23 (2) "COMPANY HEADQUARTERS" DOES NOT INCLUDE THE  
24 HEADQUARTERS OF A PROFESSIONAL SPORTS ORGANIZATION.

25 ~~(B)~~ (D) "CREDIT YEAR" MEANS THE TAXABLE YEAR IN WHICH A QUALIFIED  
26 BUSINESS ENTITY CLAIMS THE CREDIT DESCRIBED IN THIS SECTION.

27 ~~(C)~~ (E) "FULL-TIME POSITION" MEANS A POSITION REQUIRING AT LEAST 840  
28 HOURS OF AN EMPLOYEE'S TIME DURING AT LEAST 24 WEEKS IN A 6-MONTH  
29 PERIOD.

30 ~~(D)~~ (F) "QUALIFIED BUSINESS ENTITY" MEANS A PERSON CONDUCTING OR  
31 OPERATING A TRADE OR BUSINESS IN MARYLAND WHO:

32 (1) IS ENGAGED IN AN ACTIVITY SPECIFIED IN § 5-1102(B) OF THIS  
33 SUBTITLE; AND

34 (2) DURING ANY 24-MONTH PERIOD ~~HIRE~~ CREATES AT LEAST 50  
35 QUALIFIED ~~EMPLOYEES~~ POSITIONS.

36 ~~(E)~~ ~~(4)~~ (G) "QUALIFIED EMPLOYEE" MEANS AN EMPLOYEE ~~WHO IS NEWLY~~  
37 ~~HIRE~~ INTO FILLING A QUALIFIED POSITION.

4

1 (H) (1) "QUALIFIED POSITION" MEANS A POSITION THAT:

2 (I) IS FULL-TIME AND OF INDEFINITE DURATION;

3 (II) PAYS AT LEAST 150% OF THE FEDERAL MINIMUM WAGE;

4 (III) IS LOCATED IN MARYLAND; ~~AND~~

5 (IV) IS NEWLY CREATED, AS A RESULT OF THE ESTABLISHMENT OR  
6 EXPANSION OF A BUSINESS FACILITY IN A SINGLE LOCATION IN THE STATE; AND

7 (V) IS FILLED.

8 (2) "QUALIFIED ~~EMPLOYEE POSITION~~" DOES NOT INCLUDE AN  
9 ~~EMPLOYEE WHO FILLS~~ A POSITION THAT IS:

10 (I) CREATED WHEN AN EMPLOYMENT FUNCTION IS SHIFTED  
11 FROM AN EXISTING BUSINESS FACILITY OF THE BUSINESS ENTITY LOCATED IN  
12 MARYLAND; ~~OR TO ANOTHER BUSINESS FACILITY OF THE SAME BUSINESS ENTITY IF~~  
13 THE POSITION DOES NOT REPRESENT A NET NEW JOB IN THE STATE;

14 (II) CREATED THROUGH A CHANGE IN OWNERSHIP OF A TRADE  
15 OR BUSINESS;

16 (III) CREATED THROUGH A CONSOLIDATION, MERGER, OR  
17 RESTRUCTURING OF A BUSINESS ENTITY IF THE POSITION DOES NOT REPRESENT A  
18 NET NEW JOB IN THE STATE;

19 (IV) CREATED WHEN AN EMPLOYMENT FUNCTION IS  
20 CONTRACTUALLY SHIFTED FROM AN EXISTING BUSINESS ENTITY LOCATED IN THE  
21 STATE TO ANOTHER BUSINESS ENTITY IF THE POSITION DOES NOT REPRESENT A  
22 NET NEW JOB IN THE STATE; OR

23 (V) FILLED FOR A PERIOD OF LESS THAN 6 12 MONTHS.

24 ~~(F)~~ (I) "REVITALIZATION AREA" MEANS A GEOGRAPHICALLY DEFINED  
25 AREA OF A LOCAL JURISDICTION WHICH IS DESIGNATED IN ACCORDANCE WITH  
26 ARTICLE 83B, § 2-1303(B) OF THE CODE OR WHICH IS DETERMINED TO BE ELIGIBLE  
27 FOR ENTERPRISE DESIGNATION IN ACCORDANCE WITH ARTICLE 83A, § 5-403 OF THE  
28 CODE.

29 (J) "SECRETARY" MEANS THE SECRETARY OF BUSINESS AND ECONOMIC  
30 DEVELOPMENT OR THE SECRETARY'S DESIGNEE.

31 5-1102.

32 ~~(A) (1) THE SECRETARY MAY APPROVE A TAX CREDIT FOR A QUALIFIED~~  
33 ~~BUSINESS ENTITY THAT EQUALS 50% OF THE ESTIMATED NEW REVENUE TO THE~~  
34 ~~STATE FROM THE STATE INCOME TAX PAYABLE BY THE NEWLY HIRED QUALIFIED~~  
35 ~~EMPLOYEES DURING A TAXABLE YEAR.~~

36 ~~(2) IN THE CASE OF A BUSINESS ENTITY WHOSE NEWLY HIRED~~  
37 ~~QUALIFIED EMPLOYEES ARE WORKING IN A FACILITY LOCATED IN A~~  
38 ~~REVITALIZATION AREA, THE SECRETARY MAY APPROVE A TAX CREDIT THAT~~

~~1 EQUALS 100% OF THE ESTIMATED NEW REVENUE TO THE STATE DERIVED FROM  
2 THE STATE INCOME TAX PAYABLE BY THE NEWLY HIRED QUALIFIED EMPLOYEES.~~

~~3 (3) THE SECRETARY MAY APPROVE THE CREDIT SPECIFIED IN THIS  
4 SUBSECTION AS PART OF AN AGREEMENT THAT THE BUSINESS ENTITY WILL HIRE  
5 AT LEAST 50 QUALIFIED EMPLOYEES IN THE IMMEDIATE FUTURE.~~

~~6 (4) THE AGGREGATE TOTAL OF THE CREDITS THAT THE SECRETARY  
7 MAY APPROVE FOR ALL QUALIFIED BUSINESS ENTITIES UNDER THIS SECTION MAY  
8 NOT EXCEED \$10,000,000 IN ANY FISCAL YEAR.~~

9 (A) IT IS THE INTENT OF THE GENERAL ASSEMBLY THAT THE JOB CREATION  
10 TAX CREDITS AUTHORIZED UNDER THIS SUBTITLE ARE FOR THE PURPOSE OF  
11 INCREASING THE NUMBER OF NEW JOBS IN THE STATE BY ENCOURAGING THE  
12 EXPANSION OF EXISTING PRIVATE SECTOR ENTERPRISES AND THE ESTABLISHMENT  
13 OR ATTRACTION OF NEW PRIVATE SECTOR ENTERPRISES.

14 (B) (1) ~~THE SECRETARY SHALL APPROVE CREDITS UNDER THIS SECTION~~  
15 ~~TO ASSIST IN THE EXPANSION OF EXISTING PRIVATE SECTOR ENTERPRISES AND~~  
16 ~~THE ESTABLISHMENT OR ATTRACTION OF NEW PRIVATE SECTOR ENTERPRISES.~~

17 ~~(2) (1) THE SECRETARY SHALL APPROVE CREDITS UNDER THIS~~  
18 ~~SECTION PRIMARILY FOR BUSINESS ENTITIES~~ CERTIFY A BUSINESS ENTITY AS  
19 QUALIFYING FOR THE TAX CREDIT PROVIDED UNDER THIS SUBTITLE IF THE  
20 BUSINESS ENTITY SATISFIES THE CRITERIA SET FORTH IN THIS SECTION.

21 (2) TO QUALIFY FOR THE TAX CREDIT PROVIDED UNDER THIS  
22 SUBTITLE, A BUSINESS ENTITY MUST ESTABLISH OR EXPAND A BUSINESS FACILITY  
23 IN THE STATE THAT:

24 (I) RESULTS IN THE CREATION OF AT LEAST 50 QUALIFIED  
25 POSITIONS; AND

26 (II) IS ENGAGED IN:

27 1. MANUFACTURING OR MINING;

28 2. TRANSPORTATION OR COMMUNICATIONS;

29 3. AGRICULTURE, FORESTRY, OR FISHING;

30 4. RESEARCH, DEVELOPMENT, OR TESTING;

31 5. BIOTECHNOLOGY;

32 5- 6. COMPUTER PROGRAMMING, DATA PROCESSING, OR  
33 OTHER COMPUTER RELATED SERVICES;

34 6- 7. FINANCIAL OR REAL ESTATE CENTRAL FINANCIAL,  
35 REAL ESTATE, OR INSURANCE SERVICES;

36 7- 8. THE OPERATION OF CENTRAL ADMINISTRATIVE  
37 OFFICES OR WAREHOUSES A COMPANY HEADQUARTERS;

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1                                   8. ~~9.~~ A PUBLIC UTILITY; ~~OR~~

2                                   9. ~~10.~~ ANY OTHER BUSINESS ACTIVITY IDENTIFIED IN THE  
3 STRATEGIC PLAN FOR ECONOMIC DEVELOPMENT PRODUCED BY THE COMMISSION  
4 WAREHOUSING; OR

5                                   11. OPERATION OF ENTERTAINMENT, RECREATION,  
6 CULTURAL, OR TOURISM-RELATED ACTIVITIES IN A MULTIUSE FACILITY LOCATED  
7 WITHIN A REVITALIZATION AREA IF THE FACILITY GENERATES A MINIMUM OF 1,000  
8 NEW FULL-TIME EQUIVALENT FILLED POSITIONS IN A 24-MONTH PERIOD AND IS  
9 NOT PRIMARILY USED BY A PROFESSIONAL SPORTS FRANCHISE.

10                               ~~(H)~~ (3) THE TERMS USED IN ~~THIS PARAGRAPH~~ PARAGRAPH (2)(II)  
11 OF THIS SUBSECTION TO REFER TO VARIOUS TYPES OF BUSINESSES SHALL HAVE  
12 THE SAME MEANINGS AS THOSE TERMS WHICH ARE COMMONLY DEFINED IN THE  
13 STANDARD INDUSTRIAL CLASSIFICATION MANUAL.

14                               ~~(C) THE SECRETARY MAY NOT APPROVE A CREDIT UNDER THIS SECTION~~  
15 ~~UNTIL:~~

16                               ~~(1) THE DEPARTMENT HAS NOTIFIED THE LEGISLATIVE POLICY~~  
17 ~~COMMITTEE AND PROVIDED INFORMATION REGARDING THE PROPOSED CREDIT;~~  
18 ~~AND~~

19                               ~~(2) 30 DAYS HAVE ELAPSED FROM THE TIME OF NOTIFICATION.~~

20                               ~~(D) (1) A BUSINESS ENTITY MAY NOT CLAIM A CREDIT UNDER THIS~~  
21 ~~SECTION UNTIL THE BUSINESS ENTITY HAS HIRED AT LEAST 50 QUALIFIED~~  
22 ~~EMPLOYEES DURING A 24 MONTH PERIOD, REGARDLESS OF WHEN THE CREDIT WAS~~  
23 ~~APPROVED BY THE SECRETARY.~~

24                               (C) (1) A BUSINESS ENTITY MAY CLAIM A TAX CREDIT IN THE AMOUNT  
25 DETERMINED UNDER THIS SECTION IF THE BUSINESS ENTITY IS CERTIFIED AS  
26 QUALIFYING BY THE SECRETARY.

27                               (2) (I) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, A  
28 QUALIFIED BUSINESS ENTITY IS ALLOWED A CREDIT ~~APPROVED~~ UNDER  
29 ~~SUBSECTION (A)(1) OF THIS SECTION~~ IN AN AMOUNT EQUAL TO 2 1/2% OF THE TOTAL  
30 WAGES PAID BY THE QUALIFIED BUSINESS ENTITY DURING THE CREDIT YEAR TO  
31 ALL OF THE NEWLY HIRED QUALIFIED EMPLOYEES ~~SUBJECT TO THE STATE INCOME~~  
32 TAX.

33                               (II) IN THE CASE OF A QUALIFIED BUSINESS ENTITY WHOSE  
34 NEWLY HIRED QUALIFIED EMPLOYEES ARE WORKING IN A FACILITY LOCATED IN A  
35 REVITALIZATION AREA, THE BUSINESS ENTITY IS ALLOWED A CREDIT ~~APPROVED~~  
36 UNDER ~~SUBSECTION (A)(2) OF THIS SECTION~~ IN AN AMOUNT EQUAL TO 5% OF THE  
37 TOTAL WAGES PAID BY THE QUALIFIED BUSINESS ENTITY DURING THE CREDIT  
38 YEAR TO ALL OF THE NEWLY HIRED QUALIFIED EMPLOYEES ~~SUBJECT TO THE~~  
39 STATE INCOME TAX.

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1 ~~(3) A QUALIFIED BUSINESS ENTITY MAY NOT CLAIM A CREDIT UNDER~~  
2 ~~THIS SECTION IN EXCESS OF THE CREDIT APPROVED FOR THE QUALIFIED BUSINESS~~  
3 ~~ENTITY BY THE SECRETARY.~~

4 (3) TAX CREDITS UNDER THIS SECTION ARE FOR 1 TAXABLE YEAR  
5 ONLY AND MAY NOT BE TAKEN AGAIN FOR THE SAME QUALIFIED POSITION IN A  
6 SUCCEEDING TAXABLE YEAR.

7 (4) THE CREDIT ALLOWED TO A BUSINESS ENTITY UNDER THIS  
8 SUBTITLE MAY NOT EXCEED \$1,000,000 FOR ANY CREDIT YEAR.

9 ~~(4)~~ (5) THE SAME CREDIT CANNOT BE APPLIED MORE THAN ONCE  
10 AGAINST DIFFERENT TAXES BY THE SAME TAXPAYER.

11 (6) (I) IN ORDER TO RECEIVE CERTIFICATION THAT A BUSINESS  
12 ENTITY IS ELIGIBLE TO RECEIVE THE TAX CREDIT PROVIDED UNDER THIS  
13 SUBTITLE, A BUSINESS ENTITY SHALL SUBMIT THE FOLLOWING TO THE  
14 DEPARTMENT IN ACCORDANCE WITH REGULATIONS ADOPTED BY THE  
15 DEPARTMENT:

16 1. THE EFFECTIVE DATE OF THE START-UP OR EXPANSION;

17 2. THE NUMBER OF FULL-TIME EMPLOYEES PRIOR TO THE  
18 START-UP OR EXPANSION AND THE PAYROLL OF THE EXISTING EMPLOYEES;

19 3. THE NUMBER OF QUALIFIED POSITIONS CREATED,  
20 QUALIFIED EMPLOYEES HIRED, AND THE PAYROLL OF THOSE EMPLOYEES; AND

21 4. ANY OTHER INFORMATION THAT THE DEPARTMENT  
22 REQUIRES BY REGULATION.

23 (II) THE DEPARTMENT MAY REQUIRE ANY INFORMATION  
24 REQUIRED UNDER THIS PARAGRAPH TO BE VERIFIED BY AN INDEPENDENT  
25 AUDITOR SELECTED BY THE BUSINESS ENTITY.

26 ~~(5)~~ (7) A QUALIFIED BUSINESS ENTITY MUST OBTAIN, AND SUBMIT TO  
27 THE ~~COMPTROLLER~~ APPROPRIATE STATE AGENCY WITH THE TAX RETURN ON  
28 WHICH THE CREDIT IS CLAIMED, CERTIFICATION FROM THE DEPARTMENT THAT  
29 THE ENTITY HAS MET THE REQUIREMENTS OF THIS SECTION AND IS ELIGIBLE FOR  
30 THE CREDIT.

31 ~~(E)~~ (D) (1) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY  
32 TAXABLE YEAR EXCEEDS THE TOTAL TAX OTHERWISE OWED BY THE QUALIFIED  
33 BUSINESS ENTITY FOR THAT TAXABLE YEAR, THE QUALIFIED BUSINESS ENTITY  
34 MAY APPLY THE EXCESS AS A CREDIT FOR SUCCEEDING TAXABLE YEARS UNTIL  
35 THE EARLIER OF:

36 (I) THE FULL AMOUNT OF THE EXCESS IS USED; OR

37 (II) THE EXPIRATION OF THE 10TH TAXABLE YEAR FROM THE  
38 CREDIT YEAR.

1 (2) THE CREDIT UNDER THIS SECTION MAY NOT BE CARRIED BACK TO  
2 A PRECEDING TAXABLE YEAR.

3 ~~(E)~~ (E) (1) IF, DURING ANY OF THE ~~5~~ 3 YEARS SUCCEEDING THE CREDIT  
4 YEAR, THE NUMBER OF QUALIFIED ~~EMPLOYEES EMPLOYED BY~~ POSITIONS OF THE  
5 QUALIFYING BUSINESS ENTITY FALLS MORE THAN 5% BELOW THE AVERAGE  
6 NUMBER OF QUALIFIED ~~EMPLOYEES EMPLOYED~~ POSITIONS DURING THE CREDIT  
7 YEAR ON WHICH THE CREDIT WAS COMPUTED, THE CREDIT SHALL BE RECAPTURED  
8 AS FOLLOWS:

9 ~~(I)~~ (I) THE CREDIT SHALL BE RECOMPUTED TO REDUCE THE CREDIT  
10 BY THE PERCENTAGE REDUCTION OF THE NUMBER OF QUALIFIED EMPLOYEES;

11 ~~(II)~~ (II) THE RECOMPUTED CREDIT SHALL BE SUBTRACTED FROM THE  
12 AMOUNT OF CREDIT PREVIOUSLY ALLOWED; AND

13 ~~(III)~~ (III) THE QUALIFYING BUSINESS ENTITY SHALL OWE THE  
14 DIFFERENCE AS TAXES PAYABLE TO THE STATE ~~ON OR BEFORE THE END OF THE~~  
15 ~~SUCCEEDING TAXABLE YEAR~~ FOR THE TAXABLE YEAR IN WHICH THE NUMBER OF  
16 QUALIFIED POSITIONS FALLS MORE THAN 5% BELOW THE AVERAGE NUMBER OF  
17 QUALIFIED POSITIONS DURING THE CREDIT YEAR.

18 (2) (I) DURING THE 3 TAXABLE YEARS SUCCEEDING THE CREDIT  
19 YEAR, THE QUALIFIED BUSINESS ENTITY SHALL SUPPLY INFORMATION REQUIRED  
20 BY THE DEPARTMENT IN REGULATION TO VERIFY THAT THE BUSINESS ENTITY IS  
21 NOT SUBJECT TO PARAGRAPH (1) OF THIS SUBSECTION.

22 (II) THE DEPARTMENT MAY REQUIRE ANY INFORMATION  
23 REQUIRED UNDER THIS PARAGRAPH TO BE VERIFIED BY AN INDEPENDENT  
24 AUDITOR SELECTED BY THE BUSINESS ENTITY.

25 ~~(F)~~ (F) ANY INFORMATION PROVIDED TO THE COMPTROLLER ~~OR THE~~  
26 APPROPRIATE AGENCY BY A QUALIFIED BUSINESS ENTITY IN CONNECTION WITH  
27 ELIGIBILITY FOR A CREDIT ALLOWED UNDER THIS SECTION SHALL BE SHARED BY  
28 THE COMPTROLLER ~~OR THE APPROPRIATE AGENCY~~ WITH THE DEPARTMENT OF  
29 BUSINESS AND ECONOMIC DEVELOPMENT AND SHALL BE SUBJECT TO THE  
30 CONFIDENTIALITY REQUIREMENTS ESTABLISHED BY STATUTES OR REGULATIONS  
31 APPLICABLE TO THE COMPTROLLER ~~OR THE APPROPRIATE AGENCY~~.

32 ~~(H) THE COMPTROLLER IN COOPERATION WITH THE DEPARTMENT SHALL~~  
33 ADMINISTER THE CREDIT UNDER THIS SECTION.

34 (G) (1) SUBJECT TO THE PROVISIONS OF THIS SUBSECTION, THE  
35 SECRETARY SHALL ADOPT REGULATIONS TO CARRY OUT THE PROVISIONS OF THIS  
36 SUBTITLE.

37 (2) THE COMPTROLLER SHALL ADOPT REGULATIONS TO PROVIDE FOR  
38 THE COMPUTATION, CARRYOVER, AND RECAPTURE OF THE CREDIT UNDER §  
39 10-704.4 OF THE TAX - GENERAL ARTICLE.

40 (3) THE DEPARTMENT OF ASSESSMENTS AND TAXATION SHALL ADOPT  
41 REGULATIONS TO PROVIDE FOR THE COMPUTATION, CARRYOVER, AND



9

1 RECAPTURE OF THE CREDIT UNDER §§ 8-214 AND 8-411 OF THE TAX - GENERAL  
2 ARTICLE.

3 (4) THE MARYLAND INSURANCE COMMISSIONER SHALL ADOPT  
4 REGULATIONS TO PROVIDE FOR THE COMPUTATION, CARRYOVER, AND  
5 RECAPTURE OF THE CREDIT UNDER ARTICLE 48A, § 6-114 OF THE INSURANCE  
6 ARTICLE.

7 ~~(H)~~ (H) THE DEPARTMENT SHALL REPORT TO THE GOVERNOR AND,  
8 SUBJECT TO § 2-1312 OF THE STATE GOVERNMENT ARTICLE, TO THE GENERAL  
9 ASSEMBLY BY NOVEMBER 1 OF EACH YEAR ON THE BUSINESS ENTITIES CERTIFIED  
10 AS ELIGIBLE FOR TAX CREDITS APPROVED IN THE PRECEDING FISCAL YEAR.

11 5-1103.

12 (A) SUBJECT TO THE PROVISIONS OF THIS SECTION, THE PROVISIONS OF THIS  
13 SUBTITLE AND THE TAX CREDIT AUTHORIZED UNDER THIS SUBTITLE SHALL  
14 TERMINATE AS OF JANUARY 1, 2004.

15 (B) (1) THE TAX CREDITS AUTHORIZED UNDER THIS SUBTITLE:

16 (I) MAY BE CLAIMED ONLY FOR QUALIFIED POSITIONS AT A  
17 NEWLY ESTABLISHED OR EXPANDED FACILITY THAT COMMENCES OPERATIONS  
18 BEFORE JANUARY 1, 2003; AND

19 (II) MAY NOT BE EARNED FOR ANY CREDIT YEAR BEGINNING ON  
20 OR AFTER JANUARY 1, 2004.

21 (2) SUBJECT TO THE LIMITATIONS UNDER THIS SUBTITLE, FOR  
22 TAXABLE YEARS BEGINNING ON OR AFTER JANUARY 1, 2004, TAX CREDITS EARNED  
23 IN CREDIT YEARS BEGINNING BEFORE JANUARY 1, 2004;

24 (I) MAY BE CARRIED FORWARD AS PROVIDED IN § 5-1102 OF THIS  
25 SUBTITLE; AND

26 (II) ARE SUBJECT TO RECAPTURE AS PROVIDED IN § 5-1102 OF THIS  
27 SUBTITLE.

28 **Article 48A - Insurance Code**

29 632.

30 (E) AN INSURER MAY CLAIM A CREDIT AGAINST THE PREMIUM TAX FOR  
31 WAGES PAID TO QUALIFIED EMPLOYEES AS PROVIDED UNDER ARTICLE 83A, § 5-1102  
32 OF THE CODE.

33 **Article - Tax - General**

34 8-214.

35 A FINANCIAL INSTITUTION MAY CLAIM A CREDIT AGAINST THE FINANCIAL  
36 INSTITUTION FRANCHISE TAX FOR WAGES PAID TO QUALIFIED EMPLOYEES AS  
37 PROVIDED UNDER ARTICLE 83A, § 5-1102 OF THE CODE.

10

1 8-411.

2 A PUBLIC SERVICE COMPANY MAY CLAIM A CREDIT AGAINST THE PUBLIC  
3 SERVICE COMPANY FRANCHISE TAX FOR WAGES PAID TO QUALIFIED EMPLOYEES  
4 AS PROVIDED UNDER ARTICLE 83A, § 5-1102 OF THE CODE.

5 10-704.4.

6 AN INDIVIDUAL OR A CORPORATION MAY CLAIM A CREDIT AGAINST THE  
7 INCOME TAX FOR WAGES PAID TO QUALIFIED EMPLOYEES AS PROVIDED UNDER  
8 ARTICLE 83A, § 5-1102 OF THE CODE.

9 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
10 read as follows:

11 **Article - Insurance**

12 6-114.

13 (A) AN INSURER MAY CLAIM A CREDIT AGAINST THE PREMIUM TAX FOR  
14 WAGES PAID TO QUALIFIED EMPLOYEES AS PROVIDED UNDER ARTICLE 83A, § 5-1102  
15 OF THE CODE.

16 (B) AN INSURER MAY CLAIM A CREDIT AGAINST THE PREMIUM TAX FOR  
17 WAGES PAID TO QUALIFIED EMPLOYEES AS PROVIDED UNDER § 21-307 OF THE  
18 EDUCATION ARTICLE.

19 SECTION 2- 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
20 read as follows:

21 **Article - Education**

22 21-307.

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

25 (2) "BUSINESS ENTITY" MEANS A PERSON CONDUCTING OR OPERATING  
26 A TRADE OR BUSINESS IN MARYLAND.

27 (3) "DIVISION" MEANS THE DIVISION OF REHABILITATION SERVICES IN  
28 THE STATE DEPARTMENT OF EDUCATION.

29 (4) "DEPARTMENT" MEANS THE STATE DEPARTMENT OF EDUCATION.

30 (5) "QUALIFIED EMPLOYEE" MEANS AN INDIVIDUAL WHO IS CERTIFIED  
31 AS HAVING MET THE CRITERIA ADOPTED BY THE DEPARTMENT AS AN INDIVIDUAL  
32 WHO:

33 (I) HAS A DISABILITY;

34 (II) IS RECEIVING OR HAS RECENTLY RECEIVED VOCATIONAL  
35 REHABILITATION OR TRANSITION SERVICES ~~PROVIDED BY THE DIVISION~~; AND

36 (III) IS READY FOR EMPLOYMENT.

11

1                   (6) "TRANSITION SERVICES" MEANS A COORDINATED SET OF  
2 ACTIVITIES FOR A STUDENT THAT PROMOTE MOVEMENT FROM SCHOOL TO  
3 CAREER.

4                   ~~(6)~~ (7) "WAGES" MEANS WAGES PAID BY THE BUSINESS ENTITY TO A  
5 QUALIFIED EMPLOYEE ATTRIBUTABLE TO SERVICES PERFORMED IN A TRADE OR  
6 BUSINESS OF THE BUSINESS ENTITY.

7                   (B) (1) EXCEPT AS PROVIDED IN SUBSECTION (D) OF THIS SECTION, A  
8 BUSINESS ENTITY MAY CLAIM A TAX CREDIT IN THE AMOUNT DETERMINED UNDER  
9 SUBSECTION (C) OF THIS SECTION FOR THE WAGES PAID TO A QUALIFIED  
10 EMPLOYEE THAT ARE PAID IN THE TAXABLE YEAR FOR WHICH THE BUSINESS  
11 ENTITY CLAIMS THE CREDIT.

12                   (2) THE SAME TAX CREDIT CANNOT BE APPLIED MORE THAN ONCE  
13 AGAINST DIFFERENT TAXES BY THE SAME TAXPAYER.

14                   (C) (1) ~~FOR ONE TAXABLE YEAR ONLY,~~ A ONE-TIME CREDIT IS ALLOWED  
15 IN AN AMOUNT EQUAL TO 10% OF THE FIRST \$10,000 IN WAGES PAID BY THE  
16 BUSINESS ENTITY TO EACH QUALIFIED EMPLOYEE SUBJECT TO THE STATE INCOME  
17 TAX.

18                   (2) THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT EXCEED  
19 \$1,000 FOR EACH QUALIFIED EMPLOYEE.

20                   (D) (1) A BUSINESS ENTITY MAY NOT CLAIM THE CREDIT UNDER THIS  
21 SECTION FOR AN EMPLOYEE:

22                   (I) WHO IS HIRED TO REPLACE A LAID OFF EMPLOYEE OR TO  
23 REPLACE AN EMPLOYEE WHO IS ON STRIKE; OR

24                   (II) FOR WHOM THE BUSINESS ENTITY SIMULTANEOUSLY  
25 RECEIVES FEDERAL OR STATE EMPLOYMENT TRAINING BENEFITS.

26                   (2) A BUSINESS ENTITY MAY NOT CLAIM THE CREDIT UNDER THIS  
27 SECTION UNTIL THE DIVISION HAS CERTIFIED IN WRITING THAT THE EMPLOYEE IS  
28 A QUALIFIED EMPLOYEE.

29                   (3) A BUSINESS ENTITY MAY NOT CLAIM THE CREDIT UNDER THIS  
30 SECTION FOR AN EMPLOYEE WHOSE EMPLOYMENT LASTS LESS THAN 1 YEAR  
31 UNLESS THE EMPLOYEE:

32                   (I) VOLUNTARILY TERMINATES EMPLOYMENT WITH THE  
33 EMPLOYER;

34                   (II) IS UNABLE TO CONTINUE EMPLOYMENT DUE TO DEATH OR A  
35 FURTHER DISABILITY; OR

36                   (III) IS TERMINATED FOR CAUSE.

37                   (4) A BUSINESS ENTITY MAY NOT CLAIM THE CREDIT UNDER THIS  
38 SECTION IF THE BUSINESS ENTITY IS CLAIMING A TAX CREDIT FOR THE SAME  
39 EMPLOYEE UNDER ARTICLE 88A, § 56 OF THE CODE.

12

1 (E) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE YEAR  
2 EXCEEDS THE TOTAL TAX OTHERWISE PAYABLE BY THE BUSINESS ENTITY FOR  
3 THAT TAXABLE YEAR, A BUSINESS ENTITY MAY APPLY THE EXCESS AS A CREDIT  
4 FOR SUCCEEDING TAXABLE YEARS UNTIL THE EARLIER OF:

5 (1) THE FULL AMOUNT OF THE EXCESS IS USED; OR

6 (2) THE EXPIRATION OF THE FIFTH TAXABLE YEAR AFTER THE  
7 TAXABLE YEAR IN WHICH THE WAGES FOR WHICH THE CREDIT IS CLAIMED ARE  
8 PAID.

9 (F) IF A CREDIT IS CLAIMED UNDER THIS SECTION, THE CLAIMANT MUST  
10 MAKE THE ADDITION REQUIRED IN § 10-205 OR § 10-306 OF THE TAX - GENERAL  
11 ARTICLE.

12 (G) THE COMPTROLLER, IN COOPERATION WITH THE DEPARTMENT SHALL  
13 ADMINISTER THE CREDIT UNDER THIS SECTION.

14 **Article 48A - Insurance Code**

15 632.

16 (F) AN INSURER MAY CLAIM A CREDIT AGAINST THE PREMIUM TAX FOR  
17 WAGES PAID TO QUALIFIED EMPLOYEES AS PROVIDED UNDER § 21-307 OF THE  
18 EDUCATION ARTICLE.

19 **Article - Tax - General**

20 8-215.

21 A FINANCIAL INSTITUTION MAY CLAIM A CREDIT AGAINST THE FINANCIAL  
22 INSTITUTION FRANCHISE TAX FOR WAGES PAID TO QUALIFIED EMPLOYEES AS  
23 PROVIDED UNDER § 21-307 OF THE EDUCATION ARTICLE .

24 8-412.

25 A PUBLIC SERVICE COMPANY MAY CLAIM A CREDIT AGAINST THE PUBLIC  
26 SERVICE COMPANY FRANCHISE TAX FOR WAGES PAID TO QUALIFIED EMPLOYEES  
27 AS PROVIDED UNDER § 21-307 OF THE EDUCATION ARTICLE.

28 10-205.

29 (b) The addition under subsection (a) of this section includes the amount of a  
30 credit claimed under:

31 (1) § 10-702 of this title for wages paid to an employee in an enterprise  
32 zone; [or]

33 (2) § 10-704.2 of this title or § 8-213 of this article for wages paid and  
34 qualified child care expenses incurred with respect to qualified employment opportunity  
35 employees; OR

36 (3) § 10-704.5 OF THIS TITLE OR § 8-215 OF THIS ARTICLE FOR WAGES  
37 PAID TO QUALIFIED EMPLOYEES.

13

1 10-306.

2 (b) The addition under subsection (a) of this section includes the additions  
3 required for an individual under:

4 (1) § 10-205(b) of this title (Enterprise zone wage credit, [and]  
5 employment opportunity credit, AND DISABILITY WAGE CREDIT);

6 10-704.5.

7 AN INDIVIDUAL OR A CORPORATION MAY CLAIM A CREDIT AGAINST THE  
8 INCOME TAX FOR WAGES PAID TO QUALIFIED EMPLOYEES AS PROVIDED UNDER §  
9 21-307 OF THE EDUCATION ARTICLE.

10 SECTION 4. AND BE IT FURTHER ENACTED, That the Department of Fiscal  
11 Services, based on information provided by and in consultation with the Department of  
12 Business and Economic Development, the Department of Budget and Fiscal Planning,  
13 the Comptroller, the Department of Assessments and Taxation, the Insurance  
14 Commissioner, and appropriate representatives of private employers, shall conduct a  
15 study of the efficacy and effectiveness of the tax credit program established under Section  
16 1 of this Act in increasing the number of net jobs in the State. The Department of Fiscal  
17 Services shall conduct an analysis of the profile of employers having taken advantage of  
18 these credits in hiring new employees, cost effectiveness of the subsidy in reaching State  
19 goals, and the appropriateness of the level of the tax credits. The study shall also include  
20 an analysis of the potential effectiveness of the program based on varying the size,  
21 duration, and structure of the subsidy. The Department shall complete and present the  
22 results of the study to the Senate Budget and Taxation Committee and the House  
23 Committee on Ways and Means by September 1, 2002.

24 SECTION 5. AND BE IT FURTHER ENACTED, That the Department of Fiscal  
25 Services, based on information provided by and in consultation with the Department of  
26 Education, the Governor's Office for Individuals with Disabilities, the Developmental  
27 Disabilities Administration, the Department of Assessments and Taxation and the  
28 Comptroller, shall conduct a study of the efficacy and effectiveness of the tax credit  
29 program established under Section 3 of this Act in increasing the employment and  
30 prospects for self-sufficiency of the target population including an analysis of the profile  
31 of employers having taken advantage of these credits in hiring new employees, cost  
32 effectiveness of the subsidy in reaching State goals, and the appropriateness of the level  
33 of the tax credits. The study shall also include an analysis of the potential effectiveness of  
34 the program based on varying the size, duration, and structure of the subsidy. The  
35 Department shall complete and present the results of the study to the Senate Budget and  
36 Taxation Committee and the House Committee on Ways and Means by December 1,  
37 1999.

38 SECTION 6. AND BE IT FURTHER ENACTED, That the General Assembly  
39 finds that the widespread adoption of tax subsidies intended to move jobs from one state  
40 to another reduces revenues in all participating states without increasing the total number  
41 and quality of jobs. Therefore, the Governor shall work with chief executive officers of  
42 Delaware, the District of Columbia, North Carolina, Pennsylvania, Virginia, and West  
43 Virginia to negotiate an agreement among all of these states by July 1, 1998, for the  
44 repeal of any law in each state that provides a tax subsidy, including any tax credit,

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1 deduction, exemption, or other modification, that is intended to create new jobs or entice  
2 new jobs to the state. The agreement shall specify the sections of the laws of each state  
3 that allow for such a tax subsidy and shall provide that each state will adopt legislation to  
4 repeal those sections of the laws of that executive's state, contingent on the enactment of  
5 the corresponding legislation by each of the other states. In connection with the  
6 agreement, the executives shall propose approaches for ensuring continuing compliance  
7 with the terms of the agreement. The Governor shall report to the Senate Budget and  
8 Taxation Committee and the House Ways and Means Committee of the Maryland  
9 General Assembly on or before September 15, 1998 on the status of reaching an  
10 agreement.

11 If an agreement has not been reached, the Governor shall include in the report  
12 alternatives to encourage agreement among the respective states, including but not  
13 limited to, increasing the amount of the job creation tax credit.

14 SECTION 7. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall  
15 take effect October 1, 1997.

16 SECTION 3- 8. AND BE IT FURTHER ENACTED, That, except as provided in  
17 Section 7 of this Act, this Act shall take effect July 1, 1996 and shall apply to all taxable  
18 years beginning after December 31, 1995 for all employees hired after January 1, 1996.