
By: Delegates Rosapepe, Gordon, Cummings, McIntosh, C. Davis, and Marriott

Introduced and read first time: February 19, 1996

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 Work, Not Welfare, Tax Incentives - Insurance Premium Taxes - Tax Credit Calculations

3 FOR the purpose of allowing a credit against a certain premium tax payable for certain
4 wages paid and certain child care expenses incurred by an insurer with respect to
5 certain employees; altering the manner of calculating certain tax credits for certain
6 wages for certain employees who are employed for a certain period of time;
7 providing for the future codification of certain provisions of this Act; providing for
8 the application and termination of this Act; providing for the effective dates of this
9 Act; and generally relating to tax credits for certain wages and child care expenses
10 with respect to certain employees.

11 BY adding to

12 Article 48A - Insurance Code
13 Section 633
14 Annotated Code of Maryland
15 (1994 Replacement Volume and 1995 Supplement)

16 BY repealing and reenacting, with amendments,

17 Article 88A - Social Services Administration
18 Section 56
19 Annotated Code of Maryland
20 (1995 Replacement Volume)

21 BY adding to

22 Article - Insurance
23 Section 6-105.1
24 Annotated Code of Maryland
25 (1995 Volume)
26 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

27 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

28 MARYLAND, That the Laws of Maryland read as follows:

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1 **Article 48A - Insurance Code**

2 633.

3 AN INSURANCE COMPANY MAY CLAIM A CREDIT AGAINST THE PREMIUM TAX
4 PAYABLE UNDER THIS SUBTITLE FOR WAGES PAID TO A QUALIFIED EMPLOYMENT
5 OPPORTUNITY EMPLOYEE AND FOR CHILD CARE PROVIDED OR PAID BY THE
6 INSURANCE COMPANY FOR THE CHILDREN OF A QUALIFIED EMPLOYMENT
7 OPPORTUNITY EMPLOYEE AS PROVIDED UNDER ARTICLE 88A, § 56 OF THE CODE.

8 **Article 88A - Social Services Administration**

9 56.

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

11 (2) "Business entity" means a person conducting or operating a trade or
12 business in Maryland.

13 (3) "Qualified child care expenses" means State regulated childcare
14 expenses that are incurred by a business entity to enable a qualified employment
15 opportunity employee of the business to be gainfully employed.

16 (4) (i) "Qualified employment opportunity employee" means an
17 individual who is a resident of Maryland and who for six months before the individual's
18 employment with a business entity was a Maryland resident and a recipient of benefits
19 from the State under the Aid to Families with Dependent Children Program.

20 (ii) "Qualified employment opportunity employee" does not include
21 an individual who is the spouse of, or has any of the relationships specified in § 152(a)(1)
22 through (8) of the Internal Revenue Code to, a person who controls, directly or indirectly,
23 more than 50% of the ownership of the business entity.

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

28 (b) (1) Except as provided in subsection (e) of this section, a business entity
29 may claim a tax credit in the amounts determined under subsections (c) and (d) of this
30 section for the wages and qualified child care expenses with respect to a qualified
31 employment opportunity employee that are paid in the taxable year for which the
32 business entity claims the credit.

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

35 (c) For each taxable year, for the wages paid to each qualified employment
36 opportunity employee, a credit is allowed in an amount equal to:

37 (1) 30% of up to the first \$6,000 of the wages paid to the qualified
38 employment opportunity employee during the first year of employment;

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1 (2) 20% of up to the first \$6,000 of the wages paid to the qualified
2 employment opportunity employee during the second year of employment; and

3 (3) 10% of up to the first \$6,000 of the wages paid to the qualified
4 employment opportunity employee during the third year of employment.

5 (d) For each taxable year, for child care provided or paid for by a business entity
6 for the children of a qualified employment opportunity employee of the business entity, a
7 credit is allowed in an amount equal to:

8 (1) Up to \$600 of the qualified child care expenses incurred for each
9 qualified employment opportunity employee during the first year of employment;

10 (2) Up to \$500 of the qualified child care expenses incurred for each
11 qualified employment opportunity employee during the second year of employment; and

12 (3) Up to \$400 of the qualified child care expenses incurred for each
13 qualified employment opportunity employee during the third year of employment.

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

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

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

20 (2) A business entity may not claim the credit under this section until it has
21 notified the appropriate government agency that the qualified employment opportunity
22 employee has been hired.

23 (3) [A business entity may not claim the credit under this section for an
24 employee whose employment lasts less than one year unless the employee:

25 (i) Voluntarily terminates employment with the employer;

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

27 (iii) Is terminated for cause.

28 (4) A business entity may claim a credit [reduced by the proportion of a year
29 that an employee did not work if the employment is less than a year because] IN THE
30 AMOUNT PROVIDED IN PARAGRAPH (4) OF THIS SUBSECTION FOR AN EMPLOYEE
31 WHOSE EMPLOYMENT LASTS LESS THAN ONE YEAR IF the employee:

32 (i) Voluntarily terminates employment with the employer;

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

34 (iii) Is terminated for cause.

35 (4) (I) IF A BUSINESS ENTITY IS ENTITLED TO A TAX CREDIT FOR AN
36 EMPLOYEE WHO IS EMPLOYED FOR LESS THAN ONE YEAR BECAUSE THE EMPLOYEE
37 VOLUNTARILY TERMINATES EMPLOYMENT WITH THE EMPLOYER TO TAKE

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1 ANOTHER JOB, THE BUSINESS ENTITY MAY CLAIM A TAX CREDIT OF 30% OF UP TO
2 THE FIRST \$6,000 OF THE WAGES PAID TO THE EMPLOYEE DURING THE COURSE OF
3 EMPLOYMENT.

4 (II) IF A BUSINESS ENTITY IS ENTITLED TO A TAX CREDIT FOR AN
5 EMPLOYEE WHO IS EMPLOYED FOR LESS THAN ONE YEAR FOR A REASON OTHER
6 THAN THAT DESCRIBED IN SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE AMOUNT
7 OF THE CREDIT SHALL BE REDUCED BY THE PROPORTION OF A YEAR THAT THE
8 EMPLOYEE DID NOT WORK.

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

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

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

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

17 (h) The Comptroller in cooperation with the Department of Labor, Licensing,
18 and Regulation and the Department of Human Resources shall administer the credit
19 under this section.

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

22 **Article - Insurance**

23 6-105.1.

24 AN INSURER MAY CLAIM A CREDIT AGAINST THE PREMIUM TAX PAYABLE
25 UNDER THIS SUBTITLE FOR WAGES PAID TO A QUALIFIED EMPLOYMENT
26 OPPORTUNITY EMPLOYEE AND FOR CHILD CARE PROVIDED OR PAID BY THE
27 INSURER FOR THE CHILDREN OF A QUALIFIED EMPLOYMENT OPPORTUNITY
28 EMPLOYEE AS PROVIDED UNDER ARTICLE 88A, § 56 OF THE CODE.

29 SECTION 3. AND BE IT FURTHER ENACTED, That:

30 (a) this Act shall be applicable to all taxable years beginning after
31 December 31, 1995, but before January 1, 2002;

32 (b) the tax credit under Article 48A, § 633 of the Code and § 6-105.1 of the
33 Insurance Article shall be allowed only for employees hired on or after June 1, 1995, but
34 before July 1, 1998; and

35 (c) any excess credits may be carried forward and, subject to the limitations
36 of Article 48A, § 56 of the Code, may be applied as a credit for taxable years beginning on
37 or after January 1, 2002.

38 SECTION 4. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall
39 take effect October 1, 1997.

1 SECTION 5. AND BE IT FURTHER ENACTED, That, except as provided in
2 Section 4 of this Act, this Act shall take effect July 1, 1996 and shall remain in effect for
3 a period of 2 years and at the end of June 30, 1998, with no further action required by the
4 General Assembly, this Act shall be abrogated and of no further force and effect.