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

Introduced and read first time: February 19, 1996

Assigned to: Economic Matters

Re-referred to: Ways and Means, March 6, 1996

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 18, 1996

CHAPTER ____

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 a certain definition to expand the range of individuals
6 who may be qualified employment opportunity employees; altering the manner of
7 calculating certain tax credits for certain wages for certain employees who are
8 employed for a certain period of time; providing for the future codification of
9 certain provisions of this Act; providing for the application and termination of this
10 Act; providing for the effective dates of this Act; and generally relating to tax credits
11 for certain wages and child care expenses with respect to certain employees.

12 BY adding to

13 Article 48A - Insurance Code

14 Section 633

15 Annotated Code of Maryland

16 (1994 Replacement Volume and 1995 Supplement)

17 BY repealing and reenacting, with amendments,

18 Article 88A - Social Services Administration

19 Section 56

20 Annotated Code of Maryland

21 (1995 Replacement Volume)

22 BY adding to

23 Article - Insurance

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1 Section 6-105.1
2 Annotated Code of Maryland
3 (1995 Volume)
4 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

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

7 **Article 48A - Insurance Code**

8 633.

9 AN INSURANCE COMPANY MAY CLAIM A CREDIT AGAINST THE PREMIUM TAX
10 PAYABLE UNDER THIS SUBTITLE FOR WAGES PAID TO A QUALIFIED EMPLOYMENT
11 OPPORTUNITY EMPLOYEE AND FOR CHILD CARE PROVIDED OR PAID BY THE
12 INSURANCE COMPANY FOR THE CHILDREN OF A QUALIFIED EMPLOYMENT
13 OPPORTUNITY EMPLOYEE AS PROVIDED UNDER ARTICLE 88A, § 56 OF THE CODE.

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

15 56.

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

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

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

22 (4) (i) "Qualified employment opportunity employee" means an
23 individual who is a resident of Maryland and who for ~~six~~ 3 months before the individual's
24 employment with a business entity was a Maryland resident and a recipient of benefits
25 from the State under the Aid to Families with Dependent Children Program.

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

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

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

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

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

5 (1) 30% of up to the first \$6,000 of the wages paid to the qualified
6 employment opportunity employee during the first year of employment;

7 (2) 20% of up to the first \$6,000 of the wages paid to the qualified
8 employment opportunity employee during the second year of employment; and

9 (3) 10% of up to the first \$6,000 of the wages paid to the qualified
10 employment opportunity employee during the third year of employment.

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

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

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

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

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

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

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

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

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

31 (i) Voluntarily terminates employment with the employer;

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

33 (iii) Is terminated for cause.

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

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1 (i) Voluntarily terminates employment with the employer;

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

3 (iii) Is terminated for cause.

4 (4) (I) IF A BUSINESS ENTITY IS ENTITLED TO A TAX CREDIT FOR AN
5 EMPLOYEE WHO IS EMPLOYED FOR LESS THAN ONE YEAR BECAUSE THE EMPLOYEE
6 VOLUNTARILY TERMINATES EMPLOYMENT WITH THE EMPLOYER TO TAKE
7 ANOTHER JOB, THE BUSINESS ENTITY MAY CLAIM A TAX CREDIT OF 30% OF UP TO
8 THE FIRST \$6,000 OF THE WAGES PAID TO THE EMPLOYEE DURING THE COURSE OF
9 EMPLOYMENT.

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

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

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

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

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

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

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

28 **Article - Insurance**

29 6-105.1.

30 AN INSURER MAY CLAIM A CREDIT AGAINST THE PREMIUM TAX PAYABLE
31 UNDER THIS SUBTITLE FOR WAGES PAID TO A QUALIFIED EMPLOYMENT
32 OPPORTUNITY EMPLOYEE AND FOR CHILD CARE PROVIDED OR PAID BY THE
33 INSURER FOR THE CHILDREN OF A QUALIFIED EMPLOYMENT OPPORTUNITY
34 EMPLOYEE AS PROVIDED UNDER ARTICLE 88A, § 56 OF THE CODE.

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

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

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

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

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

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