
By: Senators Currie, Middleton, Hogan, and Madden

Introduced and read first time: January 24, 1996

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Work, Not Welfare, Tax Incentives - Insurers - Premium Taxes**

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; providing for the
7 application and termination of this Act; providing for the effective dates of this Act;
8 and generally relating to tax credits for certain wages and child care expenses with
9 respect to certain employees.

10 BY adding to

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

15 BY repealing and reenacting, with amendments,

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

20 BY adding to

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

26 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
27 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] IMMEDIATELY
18 before the individual's employment with a business entity was a Maryland resident and a
19 recipient of benefits from the State under the Aid to Families with Dependent Children
20 Program.

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

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

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

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

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

38 (1) 30% of up to the first \$6,000 of the wages paid to the qualified
39 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 the
30 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 (f) If the credit allowed under this section in any taxable year exceeds the total
35 tax otherwise payable by the business entity for that taxable year, a business entity may
36 apply the excess as a credit for succeeding taxable years until the earlier of:

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

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

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

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

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

11 **Article - Insurance**

12 6-105.1.

13 AN INSURER MAY CLAIM A CREDIT AGAINST THE PREMIUM TAX PAYABLE
14 UNDER THIS SUBTITLE FOR WAGES PAID TO A QUALIFIED EMPLOYMENT
15 OPPORTUNITY EMPLOYEE AND FOR CHILD CARE PROVIDED OR PAID BY THE
16 INSURER FOR THE CHILDREN OF A QUALIFIED EMPLOYMENT OPPORTUNITY
17 EMPLOYEE AS PROVIDED UNDER ARTICLE 88A, § 56 OF THE CODE.

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

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

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

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

27 SECTION 4. AND BE IT FURTHER ENACTED, That Sections 1 and 3 of this
28 Act shall take effect July 1, 1996.

29 SECTION 5. AND BE IT FURTHER ENACTED, That Section 2 of this Act
30 shall take effect October 1, 1997.

31 SECTION 6. AND BE IT FURTHER ENACTED, That this Act shall remain in
32 effect for a period of 2 years and at the end of June 30, 1998, with no further action
33 required by the General Assembly, this Act shall be abrogated and of no further force
34 and effect.