
By: Senators Boozer, Kelley, McCabe, Sfikas, and Van Hollen

Introduced and read first time: January 31, 1996

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Work, Not Welfare, and Enterprise Zone Income Tax Credits - Tax Exempt**
3 **Organizations - Withholding Taxes**

4 FOR the purpose of allowing certain tax exempt organizations to apply certain tax credits
5 against certain taxes withheld from the wages of employees and required to be paid
6 to the Comptroller; providing that certain addition modifications relating to certain
7 tax credits do not apply to certain tax exempt organizations; altering certain
8 definitions; providing for the application of this Act; providing for the termination
9 of part of this Act; and generally relating to certain tax credits for certain tax
10 exempt organizations against certain taxes.

11 BY repealing and reenacting, with amendments,
12 Article - Tax - General
13 Section 10-702(a)(2)(i), (b), (e), and (f)
14 Annotated Code of Maryland
15 (1988 Volume and 1995 Supplement)

16 BY repealing and reenacting, without amendments,
17 Article - Tax - General
18 Section 10-906(a)
19 Annotated Code of Maryland
20 (1988 Volume and 1995 Supplement)

21 BY repealing and reenacting, with amendments,
22 Article 88A - Social Services Administration
23 Section 56(a)(2) and (g)
24 Annotated Code of Maryland
25 (1995 Replacement Volume)

26 BY repealing and reenacting, without amendments,
27 Article 88A - Social Services Administration
28 Section 56(b) and (f)
29 Annotated Code of Maryland
30 (1995 Replacement Volume)

1 BY repealing and reenacting, with amendments,
2 Article - Tax - General
3 Section 10-704.3
4 Annotated Code of Maryland
5 (1988 Volume and 1995 Supplement)

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

8 **Article - Tax - General**

9 10-702.

10 (a) (2) (i) "Business entity" means:

11 1. a person conducting or operating a trade or business; OR

12 2. AN ORGANIZATION THAT IS EXEMPT FROM TAXATION
13 UNDER § 501(C)(3) OR (4) OF THE INTERNAL REVENUE CODE[;].

14 (b) (1) Any business entity that is located in an enterprise zone and satisfies the
15 requirements of Article 83A, § 5-404 of the Code may claim a credit only against the
16 State income tax for the wages specified in subsections (c) and (d) of this section that are
17 paid in the taxable year for which the entity claims the credit.

18 (2) AN ORGANIZATION THAT IS EXEMPT FROM TAXATION UNDER §
19 501(C)(3) OR (4) OF THE INTERNAL REVENUE CODE MAY APPLY THE CREDIT UNDER
20 THIS SECTION AS A CREDIT AGAINST INCOME TAX THAT THE ORGANIZATION HAS
21 WITHHELD FROM THE WAGES OF EMPLOYEES AND IS REQUIRED TO PAY TO THE
22 COMPTROLLER UNDER § 10-906(A) OF THIS TITLE.

23 (e) (1) If the credit allowed under this section in any taxable year exceeds the
24 State income tax for that taxable year, a business entity may apply the excess as a credit
25 against the State income tax for succeeding taxable years until the earlier of:

26 [(1)] (I) the full amount of the excess is used; or

27 [(2)] (II) the expiration of the 5th taxable year from the date on which the
28 business entity hired the qualified employee to whom the credit first applies.

29 (2) FOR AN ORGANIZATION THAT IS EXEMPT FROM TAXATION UNDER §
30 501(C)(3) OR (4) OF THE INTERNAL REVENUE CODE, IF THE CREDIT ALLOWED UNDER
31 THIS SECTION IN ANY TAXABLE YEAR EXCEEDS THE SUM OF THE STATE INCOME
32 TAX OTHERWISE PAYABLE BY THE ORGANIZATION FOR THAT TAXABLE YEAR AND
33 THE INCOME TAX THAT THE ORGANIZATION HAS WITHHELD FROM THE WAGES OF
34 EMPLOYEES FOR THAT TAXABLE YEAR AND IS REQUIRED TO PAY TO THE
35 COMPTROLLER UNDER § 10-906(A) OF THIS TITLE, THE ORGANIZATION MAY APPLY
36 THE EXCESS AS A CREDIT FOR SUCCEEDING TAXABLE YEARS UNTIL THE EARLIER
37 OF:

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

3

1 (II) THE EXPIRATION OF THE 5TH TAXABLE YEAR FROM THE DATE
2 ON WHICH THE ORGANIZATION HIRED THE QUALIFIED EMPLOYEE TO WHOM THE
3 CREDIT FIRST APPLIES.

4 (f) (1) [If] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION,
5 IF a credit is claimed under this section, the claimant must make the addition required in
6 § 10-205, § 10-206, or § 10-306 of this title.

7 (2) PARAGRAPH (1) OF THIS SUBSECTION DOES NOT APPLY TO AN
8 ORGANIZATION THAT IS EXEMPT FROM TAXATION UNDER § 501(C)(3) OR (4) OF THE
9 INTERNAL REVENUE CODE.

10 10-906.

11 (a) Except as provided in § 10-907 of this subtitle, each employer or payor shall:

12 (1) withhold the income tax required to be withheld under § 10-908 of this
13 subtitle; and

14 (2) pay to the Comptroller the income tax withheld for a period with the
15 withholding return that covers the period.

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

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

19 56.

20 (a) (2) "Business entity" means:

21 (I) [a] A person conducting or operating a trade or business in
22 Maryland; OR

23 (II) AN ORGANIZATION OPERATING IN MARYLAND THAT IS
24 EXEMPT FROM TAXATION UNDER § 501(C)(3) OR (4) OF THE INTERNAL REVENUE
25 CODE.

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

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

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

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

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

1 (g) (1) [If] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION,
2 IF a credit is claimed under this section, the claimant must make the addition required in
3 § 10-205 or § 10-306 of the Tax - General Article.

4 (2) PARAGRAPH (1) OF THIS SUBSECTION DOES NOT APPLY TO AN
5 ORGANIZATION THAT IS EXEMPT FROM TAXATION UNDER § 501(C)(3) OR (4) OF THE
6 INTERNAL REVENUE CODE.

7 **Article - Tax - General**

8 10-704.3.

9 (A) An individual or a corporation may claim a credit against the income tax for
10 wages paid to qualified employment opportunity employees and for child care provided or
11 paid for by a business entity for the children of a qualified employment opportunity
12 employee as provided under Article 88A, § 56 of the Code.

13 (B) AN ORGANIZATION THAT IS EXEMPT FROM TAXATION UNDER § 501(C)(3)
14 OR (4) OF THE INTERNAL REVENUE CODE MAY APPLY THE CREDIT UNDER THIS
15 SECTION AS A CREDIT AGAINST INCOME TAX THAT THE ORGANIZATION HAS
16 WITHHELD FROM THE WAGES OF ITS EMPLOYEES AND IS REQUIRED TO PAY TO THE
17 COMPTROLLER UNDER § 10-906(A) OF THIS TITLE.

18 SECTION 3. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall
19 be applicable to all taxable years beginning after December 31, 1995.

20 SECTION 4. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall
21 be applicable to all taxable years beginning after December 31, 1995, but before January
22 1, 2002; provided however, that:

23 (1) The tax credits allowed under Section 2 of this Act shall be allowed only
24 for employees hired on or after June 1, 1995, but before July 1, 1998; and

25 (2) Any excess credits may be carried forward and, subject to the limitations
26 of, may be applied as a credit for taxable years beginning on or after January 1, 2002.

27 SECTION 5. AND BE IT FURTHER ENACTED, That, subject to Section 4 of
28 this Act, Section 2 of this Act shall remain in effect for a period of 2 years and at the end
29 of June 30, 1998, with no further action required by the General Assembly, Section 2 of
30 this Act shall be abrogated and of no further force and effect.

31 SECTION 6. AND BE IT FURTHER ENACTED, That, subject to Sections 3
32 through 5 of this Act, this Act shall take effect July 1, 1996.