Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

Senate Bill 446 (Senator Colburn, et al.)
Budget and Taxation

Tax Credit - Businesses -
Teaching the English Language to Non-English Speaking Employees

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This bill allows employers to claim a tax credit for teaching the English language to non-English speaking employees. The credit is for 50% of the amount spent on books and supplies; costs incurred for the training; and wages paid to the employee for the time the training occurs. The credit is limited to $10,000 for any taxable year, but can be carried forward for 10 years. The credit can be claimed against the financial institution franchise tax, the public service company franchise tax, the individual and corporate income tax, and the insurance premium tax.

Fiscal Summary

State Effect: Indeterminate loss of general fund and Transportation Trust Fund revenues beginning in FY 1997. Expenditures would not be affected.

Local Effect: None.

Fiscal Analysis

State Revenues: The revenue loss occasioned by this bill is indeterminate. It depends on the number of employers in the State who provide English language training and the expenses incurred in doing so, neither of which can be reliably estimated at this time.

English training generally takes four to six hours per week for twenty months. At the minimum wage, this totals about $1,700 for wages. Books cost an estimated $75, and English training is estimated to cost $19.50 per hour. The credit allowable for teaching English to one individual earning the minimum wage could therefore total $4,800 over 20 months, or $2,880 per year.
The Department of Fiscal Services notes that there are about 14,000 limited English

proficiency students in public schools in the State. Since these children generally speak better English than their parents, it is assumed that parents of these children cannot speak English. If there are three adults (parents, grandparents, older siblings) for each of these children, there would be a minimum of 45,000 individuals in the State for whom credits could potentially be claimed.

Local Revenues: Local revenues would decline by about 4.3% of any credits taken against the corporate income tax. If any credits are taken against the individual income tax, local revenues would not be affected because the credit is against State taxes only.

Information Source(s): Office of the Comptroller (Revenue Administration Division), Department of Fiscal Services

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Analysis by: David F. Roose
Reviewed by: John Rixey

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710