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**By: Delegates Rosenberg, C. Davis, Gordon, and Rosapepe**

Introduced and read first time: January 10, 1997

Assigned to: Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

2 **Worker Retraining Tax Credit Act**

3 FOR the purpose of allowing certain credits against the State income tax, insurance  
4 premiums tax, financial institution franchise tax, and public service company  
5 franchise tax for certain business entities that pay or incur certain expenses under  
6 approved employer-sponsored training programs; limiting the credit allowed based  
7 on the number of qualified employees who successfully complete the approved  
8 training program; providing for submission of proposals for employer-sponsored  
9 training programs to the Department of Labor, Licensing, and Regulation for  
10 approval; limiting the total amount of credits that the Department may approve for  
11 any fiscal year; providing for calculation of the credit; requiring the Department to  
12 adopt certain regulations; providing for the carryover of unused credit if the credit  
13 exceeds the total tax otherwise payable for a taxable year; and generally relating to  
14 a tax credit against the State income tax, financial institution franchise tax, public  
15 service company franchise tax, and insurance premiums tax for an approved  
16 employer-sponsored training program.

17 BY repealing and reenacting, without amendments,

18 Article - Labor and Employment  
19 Section 11-101(b)  
20 Annotated Code of Maryland  
21 (1991 Volume and 1996 Supplement)

22 BY adding to

23 Article - Labor and Employment  
24 Section 11-601 through 11-603 to be under the new subtitle "Subtitle 6.  
25 Employer-Sponsored Training Programs for Qualified Employees"  
26 Annotated Code of Maryland  
27 (1991 Volume and 1996 Supplement)

28 BY adding to

29 Article - Tax - General  
30 Section 8-216, 8-413, and 10-708  
31 Annotated Code of Maryland  
32 (1988 Volume and 1996 Supplement)

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1 BY adding to  
2 Article - Insurance  
3 Section 6-115  
4 Annotated Code of Maryland  
5 (1995 Volume and 1996 Supplement)  
6 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

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

9 **Article - Labor and Employment**

10 11-101.

11 (b) "Department" means the Department of Labor, Licensing, and Regulation.

12 SUBTITLE 6. EMPLOYER-SPONSORED TRAINING PROGRAMS FOR QUALIFIED  
13 EMPLOYEES.

14 11-601.

15 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS  
16 INDICATED.

17 (B) "BUSINESS ENTITY" MEANS:

18 (1) A PERSON CONDUCTING OR OPERATING A TRADE OR BUSINESS IN  
19 MARYLAND; OR

20 (2) AN ORGANIZATION OPERATING IN MARYLAND THAT IS EXEMPT  
21 FROM TAXATION UNDER § 501(C)(3) OR (4) OF THE INTERNAL REVENUE CODE.

22 (C) "QUALIFIED EMPLOYEE" MEANS:

23 (1) AN INDIVIDUAL TO WHOM THE BUSINESS ENTITY OR ANOTHER  
24 EMPLOYER IN THE STATE HAS PAID WAGES DURING THE CURRENT OR  
25 IMMEDIATELY PRECEDING TAXABLE YEAR OF THE BUSINESS ENTITY THAT ARE  
26 "QUALIFIED WAGES" WITHIN THE MEANING OF § 51 OF THE INTERNAL REVENUE  
27 CODE UNDER THE WORK OPPORTUNITY TAX CREDIT OR THE TARGETED JOBS TAX  
28 CREDIT;

29 (2) AN INDIVIDUAL TO WHOM THE BUSINESS ENTITY OR ANOTHER  
30 EMPLOYER IN THE STATE HAS PAID WAGES DURING THE CURRENT OR  
31 IMMEDIATELY PRECEDING TAXABLE YEAR OF THE BUSINESS ENTITY THAT  
32 QUALIFY FOR THE MARYLAND EMPLOYMENT OPPORTUNITY CREDIT UNDER  
33 ARTICLE 88A, § 54 OF THE CODE; OR

34 (3) AN INDIVIDUAL WHO AT THE TIME THE INDIVIDUAL COMMENCES  
35 AN APPROVED EMPLOYER-SPONSORED TRAINING PROGRAM IS A RESIDENT OF:

3

1 (I) AN AREA DESIGNATED AS AN ENTERPRISE ZONE BY THE  
2 SECRETARY OF BUSINESS AND ECONOMIC DEVELOPMENT UNDER ARTICLE 83A, §  
3 5-402 OF THE CODE OR BY THE UNITED STATES GOVERNMENT; OR

4 (II) AN AREA DESIGNATED AS AN EMPOWERMENT ZONE BY THE  
5 UNITED STATES GOVERNMENT PURSUANT TO 26 U.S.C. § 1391 ET SEQ.

6 (D) "QUALIFIED TRAINING EXPENSES" MEANS:

7 (1) THE AMOUNT PAID BY A BUSINESS ENTITY TO A COMMUNITY  
8 COLLEGE IN THE STATE FOR TRAINING OF A QUALIFIED EMPLOYEE UNDER AN  
9 APPROVED EMPLOYER-SPONSORED TRAINING PROGRAM; AND

10 (2) A BUSINESS ENTITY'S EXPENSES TO PROVIDE ON-THE-JOB  
11 TRAINING TO QUALIFIED EMPLOYEES UNDER AN APPROVED  
12 EMPLOYER-SPONSORED TRAINING PROGRAM, NOT INCLUDING ANY WAGES PAID  
13 TO A QUALIFIED EMPLOYEE RECEIVING THE TRAINING.

14 11-602.

15 (A) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, A BUSINESS ENTITY  
16 MAY CLAIM A TAX CREDIT IN AN AMOUNT EQUAL TO 100% OF THE QUALIFIED  
17 TRAINING EXPENSES PAID OR INCURRED BY THE BUSINESS ENTITY DURING THE  
18 TAXABLE YEAR UNDER AN EMPLOYER-SPONSORED TRAINING PROGRAM THAT HAS  
19 BEEN APPROVED BY THE DEPARTMENT AS QUALIFYING FOR THE TAX CREDIT  
20 UNDER THIS SECTION.

21 (B) THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT EXCEED \$2,500  
22 FOR EACH QUALIFIED EMPLOYEE WHO:

23 (1) SUCCESSFULLY COMPLETES THE TRAINING PROGRAM; AND

24 (2) AFTER SUCCESSFUL COMPLETION OF THE TRAINING PROGRAM, IS  
25 EMPLOYED BY THE BUSINESS ENTITY OR BY ANOTHER EMPLOYER IN THE STATE IN  
26 A JOB THAT PAYS AT LEAST 10% MORE THAN THE QUALIFIED EMPLOYEE'S WAGES  
27 BEFORE THE TRAINING.

28 (C) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, THE  
29 DEPARTMENT IN ITS APPROVAL OF A BUSINESS ENTITY'S EMPLOYER-SPONSORED  
30 TRAINING PROGRAM:

31 (I) MAY REDUCE THE PERCENTAGE UNDER SUBSECTION (A) OF  
32 THIS SECTION OF THE QUALIFIED TRAINING EXPENSES ON WHICH THE CREDIT IS  
33 BASED; AND

34 (II) MAY REDUCE THE MAXIMUM PER-EMPLOYEE CREDIT  
35 AMOUNT UNDER SUBSECTION (B) OF THIS SECTION.

36 (2) THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT BE LESS  
37 THAN THE LESSER OF:

38 (I) 100% OF THE QUALIFIED TRAINING EXPENSES PAID OR  
39 INCURRED BY THE BUSINESS ENTITY; OR

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1 (II) \$1,000 FOR EACH QUALIFIED EMPLOYEE WHO:

2 1. SUCCESSFULLY COMPLETES THE TRAINING PROGRAM;  
3 AND

4 2. AFTER SUCCESSFUL COMPLETION OF THE TRAINING  
5 PROGRAM, IS EMPLOYED BY THE BUSINESS ENTITY OR BY ANOTHER EMPLOYER IN  
6 THE STATE IN A JOB THAT PAYS AT LEAST 10% MORE THAN THE QUALIFIED  
7 EMPLOYEE'S WAGES BEFORE THE TRAINING.

8 (D) THE TOTAL CREDIT ALLOWED UNDER THIS SECTION TO ANY BUSINESS  
9 ENTITY MAY NOT EXCEED THE MAXIMUM CREDIT SPECIFIED BY THE DEPARTMENT  
10 IN ITS APPROVAL OF THE EMPLOYER-SPONSORED TRAINING PROGRAM.

11 (E) (1) IF THE BUSINESS ENTITY IS SUBJECT TO MORE THAN ONE TAX  
12 AGAINST WHICH THE CREDIT ALLOWED UNDER THIS SECTION MAY BE APPLIED,  
13 THE SAME CREDIT MAY NOT BE APPLIED MORE THAN ONCE AGAINST DIFFERENT  
14 TAXES.

15 (2) IF THE CREDIT ALLOWED UNDER THIS SUBSECTION IN ANY  
16 TAXABLE YEAR EXCEEDS THE TOTAL TAX OTHERWISE PAYABLE BY THE EMPLOYER  
17 FOR THAT TAXABLE YEAR, A BUSINESS ENTITY MAY APPLY THE EXCESS AS A  
18 CREDIT FOR SUCCEEDING TAXABLE YEARS UNTIL THE FULL AMOUNT OF THE  
19 EXCESS IS USED, BUT NOT BEYOND THE FIFTH TAXABLE YEAR AFTER THE TAXABLE  
20 YEAR IN WHICH THE EXPENSES FOR AN APPROVED EMPLOYER-SPONSORED  
21 TRAINING PROGRAM WERE PAID OR INCURRED.

22 11-603.

23 (A) FOR EACH FISCAL YEAR, A BUSINESS ENTITY MAY SUBMIT TO THE  
24 DEPARTMENT FOR APPROVAL A PROPOSAL FOR AN EMPLOYER-SPONSORED  
25 TRAINING PROGRAM QUALIFYING FOR THE TAX CREDITS ALLOWED UNDER THIS  
26 SUBTITLE.

27 (B) A PROPOSAL FOR AN EMPLOYER-SPONSORED TRAINING PROGRAM  
28 SHALL BE IN WRITING AND SHALL INCLUDE:

29 (1) A DESCRIPTION OF THE SKILLS THE BUSINESS ENTITY SEEKS TO  
30 DEVELOP FOR ITS WORKFORCE THROUGH THE TRAINING PROGRAM AND THE  
31 POSITIONS IT SEEKS TO FILL;

32 (2) A DESCRIPTION OF THE PROPOSED TRAINING PROGRAM,  
33 INCLUDING WHETHER THE TRAINING WILL BE ACCOMPLISHED BY A COMMUNITY  
34 COLLEGE OR THROUGH AN ON-THE-JOB TRAINING PROGRAM;

35 (3) THE ANTICIPATED COSTS OF THE TRAINING PROGRAM;

36 (4) THE NUMBER OF QUALIFIED EMPLOYEES FOR WHOM THE BUSINESS  
37 ENTITY SEEKS TAX CREDITS FOR THE TRAINING PROGRAM;

38 (5) THE CRITERIA AND METHODOLOGY FOR MONITORING AND  
39 ASSESSING PERFORMANCE UNDER THE PROGRAM; AND

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1 (6) ANY OTHER INFORMATION THAT THE DEPARTMENT REQUIRES BY  
2 REGULATION.

3 (C) IN APPROVING OR DISAPPROVING AN EMPLOYER-SPONSORED TRAINING  
4 PROGRAM UNDER THIS SUBTITLE AND IN DETERMINING THE MAXIMUM AMOUNT  
5 OF CREDITS APPROVED FOR EACH APPROVED PROGRAM, THE DEPARTMENT:

6 (1) SHALL CONSIDER:

7 (I) GEOGRAPHIC DISTRIBUTION OF PROJECTS; AND

8 (II) ANY OTHER RELEVANT FACTORS;

9 (2) MAY REQUEST DATA AND ASSISTANCE FROM OTHER UNITS OF THE  
10 STATE; AND

11 (3) SHALL APPORTION AMONG THE APPROVED PROGRAMS THE LIMIT  
12 IMPOSED UNDER SUBSECTION (F) OF THIS SECTION ON THE TOTAL TAX CREDITS  
13 THAT MAY BE APPROVED FOR THE FISCAL YEAR.

14 (D) THE DEPARTMENT SHALL APPROVE OR DISAPPROVE AN APPLICATION  
15 WITHIN 60 DAYS AFTER IT RECEIVES A COMPLETED APPLICATION.

16 (E) (1) EACH APPROVAL:

17 (I) SHALL BE IN WRITING;

18 (II) SHALL SPECIFY:

19 1. THE MAXIMUM TOTAL AMOUNT OF TAX CREDITS FOR  
20 WHICH THE PROGRAM IS ELIGIBLE;

21 2. THE PERCENTAGE OF EXPENSES ON WHICH THE CREDIT  
22 WILL BE BASED FOR THE PROGRAM; AND

23 3. THE MAXIMUM PER-EMPLOYEE CREDIT FOR WHICH THE  
24 PROGRAM IS ELIGIBLE.

25 (2) EACH DISAPPROVAL SHALL STATE IN DETAIL THE REASONS FOR  
26 THE DISAPPROVAL.

27 (F) THE SUM OF THE TAX CREDITS APPROVED FOR ALL  
28 EMPLOYER-SPONSORED TRAINING PROGRAMS APPROVED FOR EACH FISCAL YEAR  
29 MAY NOT EXCEED \$2,000,000.

30 (G) THE DEPARTMENT SHALL ADOPT REGULATIONS TO CARRY OUT THE  
31 PROVISIONS OF THIS SUBTITLE.

32 **Article - Tax - General**

33 8-216.

34 A FINANCIAL INSTITUTION MAY CLAIM A CREDIT AGAINST THE FINANCIAL  
35 INSTITUTION FRANCHISE TAX FOR AN APPROVED EMPLOYER-SPONSORED

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1 TRAINING PROGRAM AS PROVIDED UNDER § 11-602 OF THE LABOR AND  
2 EMPLOYMENT ARTICLE.

3 8-413.

4 A PUBLIC SERVICE COMPANY MAY CLAIM A CREDIT AGAINST THE PUBLIC  
5 SERVICE COMPANY FRANCHISE TAX FOR AN APPROVED EMPLOYER-SPONSORED  
6 TRAINING PROGRAM AS PROVIDED UNDER § 11-602 OF THE LABOR AND  
7 EMPLOYMENT ARTICLE.

8 10-708.

9 (A) AN INDIVIDUAL OR CORPORATION MAY CLAIM A CREDIT AGAINST THE  
10 STATE INCOME TAX FOR AN APPROVED EMPLOYER-SPONSORED TRAINING  
11 PROGRAM AS PROVIDED UNDER § 11-602 OF THE LABOR AND EMPLOYMENT  
12 ARTICLE.

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 DUE ON UNRELATED BUSINESS  
16 TAXABLE INCOME AS PROVIDED UNDER §§ 10-304 AND 10-812 OF THIS TITLE.

17 **Article - Insurance**

18 6-115.

19 AN INSURER MAY CLAIM A CREDIT AGAINST THE PREMIUM TAX FOR AN  
20 APPROVED EMPLOYER-SPONSORED TRAINING PROGRAM AS PROVIDED UNDER §  
21 11-602 OF THE LABOR AND EMPLOYMENT ARTICLE.

22 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
23 October 1, 1997 and shall be applicable to all taxable years beginning after December 31,  
24 1997.