

CF 7r1534

By: The Speaker (Administration) and Delegates Healey, Leopold, Heller, C. Davis, Conroy, Marriott, Howard, Kopp, Bozman, Shriver, Patterson, Hubbard, Rawlings, McKee, Goldwater, D. Davis, Hecht, Dypski, Gordon, Workman, Pitkin, Bobo, and Cryor

Introduced and read first time: January 27, 1997

Assigned to: Ways and Means

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 21, 1997

CHAPTER _____

1 AN ACT concerning

2 **Tax Credits - Employment of Individuals with Disabilities**

3 FOR the purpose of allowing a credit against the State income tax, insurance premiums
 4 tax, financial institution franchise tax, and public service company franchise tax for
 5 certain wages paid and certain child care or transportation expenses incurred by
 6 certain business entities with respect to certain employees with disabilities;
 7 providing for the calculation and use of the credit; defining certain terms; requiring
 8 certain addition modifications if a certain credit is claimed; requiring a certain
 9 certification prior to claiming the credit; prohibiting an employer from claiming the
 10 credit under certain circumstances; providing for the administration of the tax
 11 credits; requiring that a certain study be conducted; providing for the application
 12 and termination of this Act; and generally relating to tax credits for wages paid and
 13 child care or transportation expenses incurred by a business entity with respect to
 14 the employment of individuals with disabilities.

15 BY adding to

16 Article - Education

17 Section 21-309

18 Annotated Code of Maryland

19 (1997 Replacement Volume)

20 BY adding to

21 Article - Insurance

22 Section 6-115

23 Annotated Code of Maryland

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1 (1995 Volume and 1996 Supplement)
2 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

3 BY adding to

4 Article - Tax - General
5 Section 8-216, 8-413, and 10-704.7
6 Annotated Code of Maryland
7 (1988 Volume and 1996 Supplement)

8 BY repealing and reenacting, with amendments,

9 Article - Tax - General
10 Section 10-205(b) and 10-306(b)(1)
11 Annotated Code of Maryland
12 (1988 Volume and 1996 Supplement)

13 BY repealing and reenacting, with amendments,

14 Article - Tax - General
15 Section 10-205(b) and 10-306(b)(1)
16 Annotated Code of Maryland
17 (1988 Volume and 1996 Supplement)
18 (As enacted by Chapter 492 of the Acts of the General Assembly of 1995)

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

21 **Article - Education**

22 21-309.

23 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
24 INDICATED.

25 (2) "BUSINESS ENTITY" MEANS:

26 (I) A PERSON CONDUCTING OR OPERATING A TRADE OR
27 BUSINESS IN MARYLAND; OR

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

31 (3) "DIVISION" MEANS THE DIVISION OF REHABILITATION SERVICES OF
32 THE MARYLAND STATE DEPARTMENT OF EDUCATION.

33 (4) "QUALIFIED CHILD CARE OR TRANSPORTATION EXPENSES" MEANS:

34 (I) STATE REGULATED CHILD CARE EXPENSES THAT ARE
35 INCURRED BY A BUSINESS ENTITY TO ENABLE A QUALIFIED EMPLOYEE WITH A
36 DISABILITY TO BE GAINFULLY EMPLOYED; OR

1 (D) FOR EACH TAXABLE YEAR, FOR CHILD CARE PROVIDED OR PAID FOR BY
2 A BUSINESS ENTITY FOR THE CHILDREN OF A QUALIFIED EMPLOYEE WITH A
3 DISABILITY, OR TRANSPORTATION EXPENSES THAT ARE INCURRED BY A BUSINESS
4 ENTITY TO ENABLE A QUALIFIED EMPLOYEE WITH A DISABILITY TO TRAVEL TO
5 AND FROM WORK, A CREDIT IS ALLOWED IN AN AMOUNT EQUAL TO:

6 (1) UP TO \$600 OF THE QUALIFIED CHILD CARE OR TRANSPORTATION
7 EXPENSES INCURRED FOR EACH QUALIFIED EMPLOYEE WITH A DISABILITY
8 DURING THE FIRST YEAR OF EMPLOYMENT; AND

9 (2) UP TO \$500 OF THE QUALIFIED CHILD CARE OR TRANSPORTATION
10 EXPENSES INCURRED FOR EACH QUALIFIED EMPLOYEE WITH A DISABILITY
11 DURING THE SECOND YEAR OF EMPLOYMENT.

12 (E) (1) A BUSINESS ENTITY MAY NOT CLAIM THE CREDIT UNDER THIS
13 SECTION FOR AN EMPLOYEE:

14 (I) WHO IS HIRED TO REPLACE A LAID-OFF EMPLOYEE OR TO
15 REPLACE AN EMPLOYEE WHO IS ON STRIKE; OR

16 (II) FOR WHOM THE BUSINESS ENTITY SIMULTANEOUSLY
17 RECEIVES FEDERAL OR STATE EMPLOYMENT TRAINING BENEFITS.

18 (2) A BUSINESS ENTITY MAY NOT CLAIM THE CREDIT UNDER THIS
19 SECTION UNTIL IT HAS NOTIFIED THE DIVISION THAT A QUALIFIED EMPLOYEE
20 WITH A DISABILITY HAS BEEN HIRED.

21 (3) A BUSINESS ENTITY MAY CLAIM A CREDIT IN THE AMOUNT
22 PROVIDED IN PARAGRAPH (5) OF THIS SUBSECTION FOR AN EMPLOYEE WHOSE
23 EMPLOYMENT LASTS LESS THAN 1 YEAR IF THE EMPLOYEE:

24 (I) VOLUNTARILY TERMINATES EMPLOYMENT WITH THE
25 EMPLOYER;

26 (II) IS UNABLE TO CONTINUE EMPLOYMENT DUE TO A FURTHER
27 DISABILITY OR DEATH; OR

28 (III) IS TERMINATED FOR CAUSE.

29 (4) A BUSINESS ENTITY MAY NOT CLAIM THE CREDIT UNDER THIS
30 SECTION IF THE BUSINESS ENTITY IS CLAIMING A TAX CREDIT FOR THE SAME
31 EMPLOYEE UNDER ARTICLE 88A, § 54 OF THE CODE.

32 (5) (I) IF A BUSINESS ENTITY IS ENTITLED TO A TAX CREDIT FOR AN
33 EMPLOYEE WHO IS EMPLOYED FOR LESS THAN 1 YEAR BECAUSE THE EMPLOYEE
34 VOLUNTARILY TERMINATES EMPLOYMENT WITH THE EMPLOYER TO TAKE
35 ANOTHER JOB, THE BUSINESS ENTITY MAY CLAIM A TAX CREDIT OF 20% OF UP TO
36 THE FIRST \$6,000 OF THE WAGES PAID TO THE EMPLOYEE DURING THE COURSE OF
37 EMPLOYMENT.

38 (II) IF A BUSINESS ENTITY IS ENTITLED TO A TAX CREDIT FOR AN
39 EMPLOYEE WHO IS EMPLOYED FOR LESS THAN 1 YEAR FOR A REASON OTHER THAN
40 THAT DESCRIBED IN SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE AMOUNT OF THE

5
1 CREDIT SHALL BE REDUCED BY THE PROPORTION OF A YEAR THAT THE EMPLOYEE
2 DID NOT WORK.

3 (F) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE YEAR
4 EXCEEDS THE TOTAL TAX OTHERWISE PAYABLE BY THE BUSINESS ENTITY FOR
5 THAT TAXABLE YEAR, A BUSINESS ENTITY MAY APPLY THE EXCESS AS A CREDIT
6 FOR SUCCEEDING TAXABLE YEARS UNTIL THE EARLIER OF:

7 (1) THE FULL AMOUNT OF THE EXCESS IS USED; OR

8 (2) THE EXPIRATION OF THE 5TH TAXABLE YEAR AFTER THE TAXABLE
9 YEAR IN WHICH THE WAGES OR QUALIFIED CHILD CARE OR TRANSPORTATION
10 EXPENSES FOR WHICH THE CREDIT IS CLAIMED ARE PAID.

11 (G) IF A CREDIT IS CLAIMED UNDER THIS SECTION, THE CLAIMANT MUST
12 MAKE THE ADDITION REQUIRED IN § 10-205 OR § 10-306 OF THE TAX - GENERAL
13 ARTICLE.

14 (H) (1) SUBJECT TO THE PROVISIONS OF THIS SUBSECTION, THE STATE
15 DEPARTMENT OF EDUCATION SHALL ADOPT REGULATIONS NECESSARY TO CARRY
16 OUT THE PROVISIONS OF THIS SECTION.

17 (2) THE COMPTROLLER SHALL ADOPT REGULATIONS TO PROVIDE FOR
18 THE COMPUTATION AND CARRYOVER OF THE CREDIT UNDER § 10-704.7 OF THE TAX
19 - GENERAL ARTICLE.

20 (3) THE DEPARTMENT OF ASSESSMENTS AND TAXATION SHALL ADOPT
21 REGULATIONS TO PROVIDE FOR THE COMPUTATION AND CARRYOVER OF THE
22 CREDIT UNDER §§ 8-216 AND 8-413 OF THE TAX - GENERAL ARTICLE.

23 (4) THE MARYLAND INSURANCE COMMISSIONER SHALL ADOPT
24 REGULATIONS TO PROVIDE FOR THE COMPUTATION AND CARRYOVER OF THE
25 CREDIT UNDER § 6-115 OF THE INSURANCE ARTICLE.

26 **Article - Insurance**

27 6-115.

28 AN INSURER MAY CLAIM A CREDIT AGAINST THE PREMIUM TAX PAYABLE
29 UNDER THIS SUBTITLE FOR:

30 (1) WAGES PAID TO A QUALIFIED EMPLOYEE WITH A DISABILITY ~~AND~~
31 ~~FOR; AND~~

32 (2) (I) CHILD CARE PROVIDED OR PAID FOR BY THE INSURER FOR
33 THE CHILDREN OF A QUALIFIED EMPLOYEE WITH A DISABILITY AS PROVIDED
34 UNDER § 21-309 OF THE EDUCATION ARTICLE; OR

35 (II) TRANSPORTATION PROVIDED OR PAID FOR BY THE INSURER
36 FOR A QUALIFIED EMPLOYEE WITH A DISABILITY AS PROVIDED UNDER § 21-309 OF
37 THE EDUCATION ARTICLE.

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1 **Article - Tax - General**

2 8-216.

3 A FINANCIAL INSTITUTION MAY CLAIM A CREDIT AGAINST THE FINANCIAL
4 INSTITUTION FRANCHISE TAX FOR;

5 (1) WAGES PAID TO A QUALIFIED EMPLOYEE WITH A DISABILITY ~~AND~~
6 ~~FOR; AND~~

7 (2) (I) CHILD CARE PROVIDED OR PAID FOR BY A BUSINESS ENTITY
8 FOR THE CHILDREN OF A QUALIFIED EMPLOYEE WITH A DISABILITY AS PROVIDED
9 UNDER § 21-309 OF THE EDUCATION ARTICLE; OR

10 (II) TRANSPORTATION PROVIDED OR PAID FOR BY THE BUSINESS
11 ENTITY FOR A QUALIFIED EMPLOYEE WITH A DISABILITY AS PROVIDED UNDER §
12 21-309 OF THE EDUCATION ARTICLE.

13 8-413.

14 A PUBLIC SERVICE COMPANY MAY CLAIM A CREDIT AGAINST THE PUBLIC
15 SERVICE COMPANY FRANCHISE TAX FOR;

16 (1) WAGES PAID TO A QUALIFIED EMPLOYEE WITH A DISABILITY ~~AND~~
17 ~~FOR; AND~~

18 (2) (I) CHILD CARE PROVIDED OR PAID FOR BY A BUSINESS ENTITY
19 FOR THE CHILDREN OF A QUALIFIED EMPLOYEE WITH A DISABILITY AS PROVIDED
20 UNDER § 21-309 OF THE EDUCATION ARTICLE; OR

21 (II) TRANSPORTATION PROVIDED OR PAID FOR BY THE BUSINESS
22 ENTITY FOR A QUALIFIED EMPLOYEE WITH A DISABILITY AS PROVIDED UNDER §
23 21-309 OF THE EDUCATION ARTICLE.

24 10-205.

25 (b) The addition under subsection (a) of this section includes the amount of a
26 credit claimed under:

27 (1) § 10-702 of this title for wages paid to an employee in an enterprise
28 zone; [or]

29 (2) § 10-704.3 of this title or § 8-213 of this article for wages paid and
30 qualified child care expenses incurred with respect to qualified employment opportunity
31 employees; OR

32 (3) § 10-704.7 OF THIS TITLE OR § 8-216 OF THIS ARTICLE FOR WAGES
33 PAID AND QUALIFIED CHILD CARE OR TRANSPORTATION EXPENSES INCURRED
34 WITH RESPECT TO A QUALIFIED EMPLOYEE WITH A DISABILITY.

35 10-306.

36 (b) The addition under subsection (a) of this section includes the additions
37 required for an individual under:

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1 (1) § 10-205(b) of this title (Enterprise zone wage credit [and],
2 employment opportunity credit, AND DISABILITY CREDIT);

3 10-704.7.

4 (A) AN INDIVIDUAL OR A CORPORATION MAY CLAIM A CREDIT AGAINST THE
5 INCOME TAX FOR:

6 (1) WAGES PAID TO A QUALIFIED EMPLOYEE WITH A DISABILITY ~~AND~~
7 ~~FOR; AND~~

8 (2) (I) CHILD CARE PROVIDED OR PAID FOR BY A BUSINESS ENTITY
9 FOR THE CHILDREN OF A QUALIFIED EMPLOYEE WITH A DISABILITY AS PROVIDED
10 UNDER § 21-309 OF THE EDUCATION ARTICLE; OR

11 (II) TRANSPORTATION PROVIDED OR PAID FOR BY THE BUSINESS
12 ENTITY FOR A QUALIFIED EMPLOYEE WITH A DISABILITY AS PROVIDED UNDER §
13 21-309 OF THE EDUCATION ARTICLE.

14 (B) AN ORGANIZATION THAT IS EXEMPT FROM TAXATION UNDER § 501(C)(3)
15 OR (4) OF THE INTERNAL REVENUE CODE MAY APPLY THE CREDIT UNDER THIS
16 SECTION AS A CREDIT AGAINST INCOME TAX DUE ON UNRELATED BUSINESS
17 TAXABLE INCOME AS PROVIDED UNDER §§ 10-304 AND 10-812 OF THIS TITLE.

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

20 **Article - Tax - General**

21 10-205.

22 (b) The addition under subsection (a) of this section includes the amount of a
23 credit claimed under:

24 (1) § 10-702 of this title for wages paid to an employee in an enterprise
25 zone; OR

26 (2) § 10-704.7 OF THIS TITLE OR § 8-216 OF THIS ARTICLE FOR WAGES
27 PAID AND QUALIFIED CHILD CARE OR TRANSPORTATION EXPENSES INCURRED
28 WITH RESPECT TO A QUALIFIED EMPLOYEE WITH A DISABILITY.

29 10-306.

30 (b) The addition under subsection (a) of this section includes the additions
31 required for an individual under:

32 (1) § 10-205(b) of this title (Enterprise zone wage credit AND DISABILITY
33 CREDIT);

34 SECTION 3. AND BE IT FURTHER ENACTED, That the Department of
35 Fiscal Services, based on information provided by and in consultation with the
36 Department of Education, the Governor's Office for Individuals with Disabilities, the
37 Developmental Disabilities Administration, the Department of Assessments and
38 Taxation, and the Comptroller, shall conduct a study of the efficacy and effectiveness of
39 the tax credit program established under Section 1 of this Act in increasing the

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1 employment and prospects for self-sufficiency of the target population, including an
2 analysis of the profile of employers having taken advantage of these tax credits in hiring
3 new employees, the cost effectiveness of the subsidy in reaching State goals, and the
4 appropriateness of the level of the tax credits. The study shall also include an analysis of
5 the potential effectiveness of the program based on varying the size, duration, and
6 structure of the subsidy. The Department shall complete and present the results of the
7 study to the Senate Budget and Taxation Committee and the House Committee on Ways
8 and Means by December 1, 1999.

9 SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall be
10 applicable to all taxable years beginning after December 31, 1996 but before January 1,
11 2003; provided, however, that the tax credit under § 21-309 of the Education Article, as
12 enacted under Section 1 of this Act, shall be allowed only for employees hired on or after
13 October 1, 1997 but before January 1, 2001; and provided further that any excess credits
14 under § 21-309 of the Education Article may be carried forward and, subject to the
15 limitations under § 21-309 of the Education Article, may be applied as a credit for taxable
16 years beginning on or after January 1, 2003.

17 SECTION 5. AND BE IT FURTHER ENACTED, That Section 2 of this Act
18 shall take effect on the taking effect of the termination provision specified in Section 3 of
19 Chapter 492 of the Acts of the General Assembly of 1995. If that termination provision
20 takes effect, §§ 10-205(b) and 10-306(b)(1) of the Tax - General Article as enacted by
21 Section 1 of this Act shall be void. This Act may not be interpreted to have any effect on
22 that termination provision.

23 SECTION 6. AND BE IT FURTHER ENACTED, That, subject to the provisions
24 of Section 4 of this Act, this Act shall take effect October 1, 1997. It shall remain in effect
25 for a period of 3 years and 3 months and at the end of December 31, 2000, with no further
26 action required by the General Assembly, this Act shall be abrogated and of no further
27 force and effect.