
By: Delegates Cryor, Beck, R. Baker, Dembrow, Eckardt, Faulkner, Frush, Kopp, Montague, Mossburg, Ports, Rosapepe, Shriver, Stocksdale, and Brinkley

Introduced and read first time: January 31, 1997

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Tax Credit - Businesses - Teaching the English Language to Employees and Employees'**
3 **Families**

4 FOR the purpose of allowing a credit against the State income tax, financial institution
5 franchise tax, public service company franchise tax, and insurance premiums tax for
6 businesses that incur certain training expenses for teaching the English language to
7 certain individuals who are not proficient in the English language; limiting the tax
8 credit based on the number of individuals who successfully complete English
9 language training and pass a certain English proficiency examination approved by
10 the Division of Employment and Training; providing for the calculation of the
11 credit; providing for the carryover of unused credit if the credit exceeds the total tax
12 otherwise payable for a taxable year; requiring the Department of Labor, Licensing,
13 and Regulation, in cooperation with the Comptroller, to adopt certain regulations;
14 providing for the application of this Act; and generally relating to a credit against
15 the State income tax, financial institution franchise tax, public service company
16 franchise tax, and insurance premiums tax for training expenses incurred in teaching
17 English to certain individuals who are not proficient in the English language.

18 BY adding to

19 Article - Labor and Employment
20 Section 11-601 to be under the new subtitle "Subtitle 6. Tax Credit for Businesses
21 That Teach English to Employees and Employees' Families"
22 Annotated Code of Maryland
23 (1991 Volume and 1996 Supplement)

24 BY adding to

25 Article - Tax - General
26 Section 8-216, 8-413, and 10-708
27 Annotated Code of Maryland
28 (1988 Volume and 1996 Supplement)

29 BY adding to

30 Article - Insurance
31 Section 6-115

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

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

6 **Article - Labor and Employment**

7 SUBTITLE 6. TAX CREDIT FOR BUSINESSES THAT TEACH ENGLISH TO EMPLOYEES
8 AND EMPLOYEES' FAMILIES.

9 11-601.

10 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
11 INDICATED.

12 (2) "BUSINESS ENTITY" MEANS A PERSON CONDUCTING A TRADE OR
13 BUSINESS IN THE STATE.

14 (3) "EMPLOYEE FAMILY MEMBER" MEANS AN EMPLOYEE OR A MEMBER
15 OF AN EMPLOYEE'S FAMILY.

16 (4) (I) "QUALIFIED ENGLISH LANGUAGE TRAINING EXPENSE" MEANS
17 AMOUNTS INCURRED BY A BUSINESS ENTITY FOR TRAINING IN ENGLISH LANGUAGE
18 LITERACY PROVIDED TO EMPLOYEE FAMILY MEMBERS WHO ARE NOT PROFICIENT
19 IN THE ENGLISH LANGUAGE.

20 (II) "QUALIFIED ENGLISH LANGUAGE TRAINING EXPENSE"
21 INCLUDES:

22 1. BOOKS AND SUPPLIES;

23 2. WAGES PAID TO AN EMPLOYEE WHO PROVIDES THE
24 ENGLISH LANGUAGE TRAINING; AND

25 3. TUITION OR OTHER AMOUNTS PAID TO A THIRD PARTY
26 TO PROVIDE THE ENGLISH LANGUAGE TRAINING.

27 (III) "QUALIFIED ENGLISH LANGUAGE TRAINING EXPENSE" DOES
28 NOT INCLUDE ANY WAGES PAID TO AN EMPLOYEE RECEIVING THE LANGUAGE
29 TRAINING.

30 (B) A BUSINESS ENTITY MAY CLAIM A TAX CREDIT IN THE AMOUNTS
31 DETERMINED UNDER SUBSECTION (C) OF THIS SECTION FOR QUALIFIED ENGLISH
32 LANGUAGE TRAINING EXPENSES PAID OR INCURRED DURING THE TAXABLE YEAR.

33 (C) (1) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, THE
34 CREDIT ALLOWED UNDER THIS SECTION FOR EACH TAXABLE YEAR EQUALS THE
35 SUM OF:

3

1 (I) 50% OF THE QUALIFIED ENGLISH LANGUAGE TRAINING
2 EXPENSES THAT ARE FOR WAGES, TUITION, OR OTHER AMOUNTS PAID TO THE
3 PROVIDER OF THE TRAINING; AND

4 (II) 25% OF THE QUALIFIED ENGLISH LANGUAGE TRAINING
5 EXPENSES THAT ARE FOR BOOKS AND SUPPLIES USED IN CONNECTION WITH THE
6 TRAINING.

7 (2) THE MAXIMUM ALLOWABLE CREDIT FOR ANY TAXPAYER IS \$13,000
8 FOR ANY TAXABLE YEAR.

9 (3) (I) THE CREDIT MAY NOT BE ALLOWED FOR ANY EXPENSES OF
10 TRAINING AN INDIVIDUAL UNLESS THE INDIVIDUAL:

11 1. SUCCESSFULLY COMPLETES THE TRAINING; AND

12 2. ON COMPLETION OF THE TRAINING PASSES AN
13 EXAMINATION IN ENGLISH PROFICIENCY THAT HAS BEEN APPROVED BY THE
14 DIVISION OF EMPLOYMENT AND TRAINING.

15 (II) IF THE CREDIT IS ALLOWABLE UNDER THIS PARAGRAPH FOR
16 AT LEAST ONE BUT FEWER THAN ALL OF THE INDIVIDUALS WHO RECEIVE THE
17 TRAINING, THE EXPENSES SHALL BE PRORATED BASED ON THE NUMBER OF
18 INDIVIDUALS WHO SUCCESSFULLY COMPLETE THE TRAINING AND PASS THE
19 EXAMINATION.

20 (D) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE YEAR
21 EXCEEDS THE TOTAL TAX OTHERWISE PAYABLE BY THE BUSINESS ENTITY FOR
22 THAT TAXABLE YEAR, A BUSINESS ENTITY MAY APPLY THE EXCESS AS A CREDIT
23 FOR SUCCEEDING YEARS UNTIL THE EARLIER OF:

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

25 (2) THE EXPIRATION OF THE 10TH TAXABLE YEAR AFTER THE YEAR
26 DURING WHICH THE QUALIFIED ENGLISH LANGUAGE TRAINING EXPENSES ARE
27 PAID.

28 (E) THE DEPARTMENT, IN COOPERATION WITH THE COMPTROLLER, SHALL
29 ADOPT REGULATIONS TO CARRY OUT THIS SECTION.

30 **Article - Tax - General**

31 8-216.

32 A FINANCIAL INSTITUTION MAY CLAIM A CREDIT AGAINST THE FINANCIAL
33 INSTITUTION FRANCHISE TAX FOR TRAINING EXPENSES PAID FOR TEACHING
34 ENGLISH TO EMPLOYEES AND EMPLOYEES' FAMILIES AS PROVIDED UNDER § 11-601
35 OF THE LABOR AND EMPLOYMENT ARTICLE.

36 8-413.

37 A PUBLIC SERVICE COMPANY MAY CLAIM A CREDIT AGAINST THE PUBLIC
38 SERVICE COMPANY FRANCHISE TAX FOR TRAINING EXPENSES PAID FOR TEACHING

4
1 ENGLISH TO EMPLOYEES AND EMPLOYEES' FAMILIES AS PROVIDED UNDER § 11-601
2 OF THE LABOR AND EMPLOYMENT ARTICLE.

3 10-708.

4 AN INDIVIDUAL OR CORPORATION MAY CLAIM A CREDIT AGAINST THE STATE
5 INCOME TAX FOR TRAINING EXPENSES PAID FOR TEACHING ENGLISH TO
6 EMPLOYEES AND EMPLOYEES' FAMILIES AS PROVIDED UNDER § 11-601 OF THE
7 LABOR AND EMPLOYMENT ARTICLE.

8 **Article - Insurance**

9 6-115.

10 AN INSURER MAY CLAIM A CREDIT AGAINST THE PREMIUM TAX FOR
11 TRAINING EXPENSES INCURRED FOR TEACHING ENGLISH TO EMPLOYEES AND
12 EMPLOYEES' FAMILIES AS PROVIDED UNDER § 11-601 OF THE LABOR AND
13 EMPLOYMENT ARTICLE.

14 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
15 October 1, 1997 and shall be applicable to all taxable years beginning after December 31,
16 1997.