
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

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 21, 1997

CHAPTER _____

1 AN ACT concerning

2 ~~Tax Credit~~ **Income Tax Subtraction Modification - Businesses - Teaching the English**
3 **Language to Employees and Employees' 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~~
6 ~~subtraction modification under the Maryland individual and corporation income~~
7 ~~taxes~~ for businesses that incur certain training expenses for teaching the English
8 language to certain individuals who are not proficient in the English language;
9 limiting the ~~tax credit subtraction modification~~ based on the number of individuals
10 who successfully complete English language training and pass a certain English
11 proficiency examination approved by the Division of Employment and Training;
12 providing for the calculation of the ~~credit subtraction modification~~; ~~providing for~~
13 ~~the carryover of unused credit if the credit exceeds the total tax otherwise payable~~
14 ~~for a taxable year~~; requiring the Department of Labor, Licensing, and Regulation,
15 in cooperation with the Comptroller, to adopt certain regulations; providing for the
16 application of this Act; ~~providing for the termination of this Act~~; and generally
17 relating to a ~~credit against the State income tax, financial institution franchise tax,~~
18 ~~public service company franchise tax, and insurance premiums tax subtraction~~
19 ~~modification under the Maryland individual and corporation income taxes~~ for
20 training expenses incurred in teaching English to certain individuals who are not
21 proficient in the English language.

22 BY adding to

23 Article - Labor and Employment

24 Section 11-601 to be under the new subtitle "Subtitle 6. Tax Credit for Businesses

25 That Teach English to Employees and Employees' Families"

26 Annotated Code of Maryland

2

1 (1991 Volume and 1996 Supplement)

2 ~~BY adding to~~

3 ~~Article - Tax - General~~

4 ~~Section 8-216, 8-413, and 10-708~~

5 ~~Annotated Code of Maryland~~

6 ~~(1988 Volume and 1996 Supplement)~~

7 ~~BY adding to~~

8 ~~Article - Insurance~~

9 ~~Section 6-115~~

10 ~~Annotated Code of Maryland~~

11 ~~(1995 Volume and 1996 Supplement)~~

12 ~~(As enacted by Chapter 36 of the Acts of the General Assembly of 1995)~~

13 BY repealing and reenacting, without amendments,

14 Article - Tax - General

15 Section 10-208(a)

16 Annotated Code of Maryland

17 (1988 Volume and 1996 Supplement)

18 BY adding to

19 Article - Tax - General

20 Section 10-208(l)

21 Annotated Code of Maryland

22 (1988 Volume and 1996 Supplement)

23 BY repealing and reenacting, with amendments,

24 Article - Tax - General

25 Section 10-308(b)

26 Annotated Code of Maryland

27 (1988 Volume and 1996 Supplement)

28 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

29 MARYLAND, That the Laws of Maryland read as follows:

30 **Article - Labor and Employment**

31 **SUBTITLE 6. TAX CREDIT FOR BUSINESSES THAT TEACH ENGLISH TO EMPLOYEES**

32 **AND EMPLOYEES' FAMILIES.**

33 11-601.

34 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS

35 INDICATED.

3

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

3 (3) "EMPLOYEE FAMILY MEMBER" MEANS AN ~~EMPLOYEE OR A~~ ADULT
4 MEMBER OF AN EMPLOYEE'S FAMILY, NOT INCLUDING THE EMPLOYEE, WHO HAS
5 LIVED IN THE EMPLOYEE'S HOUSEHOLD FOR AT LEAST 1 YEAR.

6 (4) (I) "QUALIFIED ENGLISH LANGUAGE TRAINING EXPENSE" MEANS
7 AMOUNTS INCURRED BY A BUSINESS ENTITY FOR TRAINING IN ENGLISH LANGUAGE
8 LITERACY PROVIDED TO EMPLOYEE FAMILY MEMBERS WHO ARE NOT PROFICIENT
9 IN THE ENGLISH LANGUAGE.

10 (II) "QUALIFIED ENGLISH LANGUAGE TRAINING EXPENSE"
11 INCLUDES:

12 1. BOOKS AND SUPPLIES;

13 2. WAGES PAID TO AN EMPLOYEE WHO PROVIDES THE
14 ENGLISH LANGUAGE TRAINING; AND

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

17 (III) "QUALIFIED ENGLISH LANGUAGE TRAINING EXPENSE" DOES
18 NOT INCLUDE ANY WAGES PAID TO AN EMPLOYEE RECEIVING THE LANGUAGE
19 TRAINING.

20 (B) A BUSINESS ENTITY MAY CLAIM ~~A TAX CREDIT~~ AN INCOME TAX
21 SUBTRACTION MODIFICATION IN THE AMOUNTS DETERMINED UNDER SUBSECTION
22 (C) OF THIS SECTION FOR QUALIFIED ENGLISH LANGUAGE TRAINING EXPENSES
23 PAID OR INCURRED DURING THE TAXABLE YEAR.

24 (C) (1) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, THE
25 ~~CREDIT~~ SUBTRACTION MODIFICATION ALLOWED UNDER THIS SECTION FOR EACH
26 TAXABLE YEAR EQUALS THE SUM OF:

27 (I) ~~50%~~ 100% OF THE QUALIFIED ENGLISH LANGUAGE TRAINING
28 EXPENSES THAT ARE FOR WAGES, TUITION, OR OTHER AMOUNTS PAID TO THE
29 PROVIDER OF THE TRAINING; AND

30 (II) ~~25%~~ 50% OF THE QUALIFIED ENGLISH LANGUAGE TRAINING
31 EXPENSES THAT ARE FOR BOOKS AND SUPPLIES USED IN CONNECTION WITH THE
32 TRAINING.

33 (2) THE MAXIMUM ALLOWABLE ~~CREDIT~~ SUBTRACTION MODIFICATION
34 FOR ANY TAXPAYER IS ~~\$13,000~~ \$2,500 FOR ANY TAXABLE YEAR.

35 (3) (I) THE ~~CREDIT~~ SUBTRACTION MODIFICATION MAY NOT BE
36 ALLOWED FOR ANY EXPENSES OF TRAINING AN INDIVIDUAL UNLESS THE
37 INDIVIDUAL:

38 1. SUCCESSFULLY COMPLETES THE TRAINING; AND

4

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

4 (II) IF THE ~~CREDIT~~ SUBTRACTION MODIFICATION IS ALLOWABLE
5 UNDER THIS PARAGRAPH FOR AT LEAST ONE BUT FEWER THAN ALL OF THE
6 INDIVIDUALS WHO RECEIVE THE TRAINING, THE EXPENSES SHALL BE PRORATED
7 BASED ON THE NUMBER OF INDIVIDUALS WHO SUCCESSFULLY COMPLETE THE
8 TRAINING AND PASS THE EXAMINATION.

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

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

14 ~~(2) THE EXPIRATION OF THE 10TH TAXABLE YEAR AFTER THE YEAR~~
15 ~~DURING WHICH THE QUALIFIED ENGLISH LANGUAGE TRAINING EXPENSES ARE~~
16 ~~PAID.~~

17 ~~(E)~~ (D) THE DEPARTMENT, IN COOPERATION WITH THE COMPTROLLER,
18 SHALL ADOPT REGULATIONS TO CARRY OUT THIS SECTION.

19 **Article - Tax - General**

20 ~~8-216.~~

21 ~~A FINANCIAL INSTITUTION MAY CLAIM A CREDIT AGAINST THE FINANCIAL~~
22 ~~INSTITUTION FRANCHISE TAX FOR TRAINING EXPENSES PAID FOR TEACHING~~
23 ~~ENGLISH TO EMPLOYEES AND EMPLOYEES' FAMILIES AS PROVIDED UNDER § 11-601~~
24 ~~OF THE LABOR AND EMPLOYMENT ARTICLE.~~

25 ~~8-413.~~

26 ~~A PUBLIC SERVICE COMPANY MAY CLAIM A CREDIT AGAINST THE PUBLIC~~
27 ~~SERVICE COMPANY FRANCHISE TAX FOR TRAINING EXPENSES PAID FOR TEACHING~~
28 ~~ENGLISH TO EMPLOYEES AND EMPLOYEES' FAMILIES AS PROVIDED UNDER § 11-601~~
29 ~~OF THE LABOR AND EMPLOYMENT ARTICLE.~~

30 ~~40-708.~~

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

35 ~~Article - Insurance~~

36 ~~6-115.~~

37 ~~AN INSURER MAY CLAIM A CREDIT AGAINST THE PREMIUM TAX FOR~~
38 ~~TRAINING EXPENSES INCURRED FOR TEACHING ENGLISH TO EMPLOYEES AND~~

5

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

3 10-208.

4 (a) In addition to the modification under § 10-207 of this subtitle, the amounts
5 under this section are subtracted from the federal adjusted gross income of a resident to
6 determine Maryland adjusted gross income.

7 (L) THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES
8 THE AMOUNT ALLOWED AS A SUBTRACTION UNDER § 11-601 OF THE LABOR AND
9 EMPLOYMENT ARTICLE.

10 10-308.

11 (b) The subtraction under subsection (a) of this section includes the amounts
12 allowed to be subtracted for an individual under:

13 (1) § 10-208(d) of this title (Conservation tillage equipment expenses);

14 (2) § 10-208(i) of this title (Reforestation or timber stand expenses); [and]

15 (3) § 10-208(k) of this title (Wage expenses for targeted jobs); AND

16 (4) § 10-208(L) OF THIS TITLE (ENGLISH LANGUAGE TRAINING
17 EXPENSES).

18 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
19 October 1, 1997 and shall be applicable to all taxable years beginning after December 31,
20 1997 but before January 1, 2000. It shall remain effective for a period of 2 years and 3
21 months at the end of December 31, 1999, with no further action required by the General
22 Assembly, this Act shall be abrogated and of no further force and effect.