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**By: Delegates Marriott, Fulton, Rawlings, and R. Baker**

Introduced and read first time: February 19, 1997

Assigned to: Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

**2 Employment Opportunity and Enterprise Zone Tax Credits - Living Wage**

3 FOR the purpose of establishing a "living wage" rate; requiring certain business entities  
4 that receive certain tax credits for creating jobs in enterprise zones to pay  
5 employees at least the living wage; requiring certain business entities that receive  
6 certain tax credits for employing qualified employment opportunity employees to  
7 pay employees at least the living wage; exempting certain new business entities from  
8 the requirement to pay the living wage for a certain period; defining certain terms;  
9 and generally relating to the living wage and employment opportunity and  
10 enterprise zone tax credits.

11 BY renumbering

12 Article 83A - Department of Business and Economic Development  
13 Section 5-401(h), (i), and (j), respectively  
14 to be Section 5-401(j), (k), and (l), respectively  
15 Annotated Code of Maryland  
16 (1995 Replacement Volume and 1996 Supplement)

17 BY adding to

18 Article 83A - Department of Business and Economic Development  
19 Section 5-401(h) and (i)  
20 Annotated Code of Maryland  
21 (1995 Replacement Volume and 1996 Supplement)

22 BY repealing and reenacting, with amendments,

23 Article 83A - Department of Business and Economic Development  
24 Section 5-404  
25 Annotated Code of Maryland  
26 (1995 Replacement Volume and 1996 Supplement)

27 BY repealing and reenacting, with amendments,

28 Article 88A - Department of Human Resources  
29 Section 54  
30 Annotated Code of Maryland

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1 (1995 Replacement Volume and 1996 Supplement)

2 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
3 MARYLAND, That Section(s) 5-401(h), (i), and (j), respectively, of Article 83A -  
4 Department of Business and Economic Development of the Annotated Code of Maryland  
5 be renumbered to be Section(s) 5-401(j), (k), and (l), respectively.

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

8 **Article 83A - Department of Business and Economic Development**

9 5-401.

10 (H) "INDEX" MEANS THE MOST RECENT AVAILABLE FIGURE STATED IN THE  
11 PUBLICATION "POVERTY IN THE UNITED STATES", PUBLISHED BY THE U.S. BUREAU  
12 OF THE CENSUS AND UPDATED ON AN ANNUAL BASIS, WHICH DEFINES THE  
13 NATIONAL POVERTY LEVEL FOR A FAMILY OF FOUR.

14 (I) "LIVING WAGE" MEANS:

15 (1) FOR A BUSINESS ENTITY THAT PROVIDES ITS EMPLOYEES WITH  
16 EMPLOYER-PAID BASIC HEALTH INSURANCE COVERAGE, THE HOURLY WAGE RATE  
17 NECESSARY, BASED ON A 40-HOUR WORKWEEK, TO PROVIDE AN ANNUAL INCOME  
18 THAT MEETS OR EXCEEDS THE INDEX; OR

19 (2) FOR A BUSINESS ENTITY THAT DOES NOT PROVIDE ITS EMPLOYEES  
20 WITH EMPLOYER-PAID BASIC HEALTH INSURANCE COVERAGE, THE HOURLY WAGE  
21 RATE NECESSARY, BASED ON A 40-HOUR WORKWEEK, TO PROVIDE AN ANNUAL  
22 INCOME THAT MEETS OR EXCEEDS 110% OF THE INDEX.

23 5-404.

24 (a) The following incentives and initiatives shall be available to business entities  
25 to the extent provided for in this section:

26 (1) The special property tax credit set forth in § 9-103 of the Tax - Property  
27 Article.

28 (2) The income tax credits set forth in § 10-702 of the Tax - General  
29 Article.

30 (3) The consideration for loans under the Maryland Industrial Land Act set  
31 forth in § 5-710 of this article.

32 (4) The consideration for grants and loans from the Maryland Industrial and  
33 Commercial Redevelopment Fund set forth in § 5-803(c) of this article.

34 (5) Insurance by the Enterprise Zone Venture Capital Guarantee Fund  
35 established in § 5-405 of this article.

36 (b) Any business entity moving into or locating within an enterprise zone on or  
37 after the date on which the enterprise zone is designated pursuant to § 5-402 of this  
38 subtitle may benefit from the incentives and initiatives set forth in this section, if:

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1 (1) The business entity meets the requirements and conditions of the Code  
2 section applicable to each incentive or initiative;

3 (2) The business entity is certified by the respective political subdivision that  
4 it is in compliance with the standards submitted by the subdivision under § 5-402(d)(4) of  
5 this subtitle; [and]

6 (3) (i) The business entity creates new or additional jobs or makes a  
7 capital investment in order to qualify for the property tax credit under § 9-103 of the Tax  
8 - Property Article and the income tax credits under § 10-702 of the Tax - General  
9 Article; and

10 (ii) In considering whether the business entity qualifies for loans and  
11 grants under the Maryland Industrial Land Act and the Maryland Industrial and  
12 Commercial Redevelopment Fund and for insurance under the Enterprise Zone Venture  
13 Capital Guarantee Fund, the Secretary determines that the business entity will create  
14 new or additional jobs;

15 (4) AFTER AN EMPLOYEE HAS WORKED FOR 1 YEAR IN A NEW OR  
16 ADDITIONAL JOB CREATED BY THE BUSINESS ENTITY, THE BUSINESS ENTITY PAYS  
17 THAT EMPLOYEE AT LEAST THE LIVING WAGE, AS DEFINED IN § 5-401 OF THIS  
18 SUBTITLE; AND

19 (5) FOR A BUSINESS ENTITY IN ITS FIRST YEAR OF EXISTENCE:

20 (I) THE BUSINESS ENTITY MAY PAY AN EMPLOYEE IN A NEW OR  
21 ADDITIONAL JOB CREATED BY THE BUSINESS ENTITY LESS THAN THE LIVING WAGE  
22 FOR THE FIRST YEAR; AND

23 (II) AFTER THE BUSINESS ENTITY'S FIRST YEAR OF EXISTENCE,  
24 THE BUSINESS ENTITY PAYS AN EMPLOYEE WHO HAS WORKED FOR 1 YEAR IN A  
25 NEW OR ADDITIONAL JOB CREATED BY THE BUSINESS ENTITY AT LEAST THE LIVING  
26 WAGE, AS DEFINED IN § 5-401 OF THIS SUBTITLE.

27 (c) Any business entity located within an enterprise zone before the date on  
28 which the enterprise zone is designated pursuant to § 5-402 of this subtitle may not  
29 benefit from the incentives and initiatives set forth in this section except with respect to  
30 any capital investment or any expansion of its labor force occurring after the date on  
31 which the enterprise zone is designated.

32 (d) Except as provided in § 10-702 of the Tax - General Article and § 9-103 of  
33 the Tax - Property Article, the incentives and initiatives set forth in this section shall be  
34 available for a period of 10 years following the date on which the area is designated an  
35 enterprise zone pursuant to § 5-402 of this subtitle. No law hereinafter enacted that  
36 eliminates or reduces the benefits available to business entities under this section shall be  
37 applicable to any business entity located in an enterprise zone prior to the effective date  
38 of such law.

39 **Article 88A - Department of Human Resources**

40 54.

41 (a) (1) In this section the following words have the meanings indicated.

4

1 (2) "Business entity" means:

2 (i) A person conducting or operating a trade or business in Maryland;  
3 or

4 (ii) An organization operating in Maryland that is exempt from  
5 taxation under § 501(c)(3) or (4) of the Internal Revenue Code.

6 (3) "INDEX" HAS THE MEANING INDICATED IN ARTICLE 83A, § 5-401 OF  
7 THE CODE.

8 (4) "LIVING WAGE" HAS THE MEANING INDICATED IN ARTICLE 83A, §  
9 5-401 OF THE CODE.

10 [(3)] (5) "Qualified child care expenses" means State regulated child care  
11 expenses that are incurred by a business entity to enable a qualified employment  
12 opportunity employee of the business to be gainfully employed.

13 [(4)] (6) (i) "Qualified employment opportunity employee" means an  
14 individual who is a resident of Maryland and who for three months before the individual's  
15 employment with a business entity was a recipient of temporary cash assistance from the  
16 State under the Aid to Families with Dependent Children Program or the Family  
17 Investment Program and who for six months before the individual's employment with a  
18 business entity was a Maryland resident.

19 (ii) "Qualified employment opportunity employee" does not include  
20 an individual who is the spouse of, or has any of the relationships specified in § 152 (a) (1)  
21 through (8) of the Internal Revenue Code to, a person who controls, directly or indirectly,  
22 more than 50% of the ownership of the business entity.

23 [(5)] (7) "Wages" means wages, within the meaning of § 51(c)(1), (2), and  
24 (3) of the Internal Revenue Code without regard to § 51(c)(4) of the Internal Revenue  
25 Code, that are paid by a business entity to an employee for services performed in a trade  
26 or business of the employer.

27 (b) (1) Except as provided in subsection (e) of this section, a business entity  
28 may claim a tax credit in the amounts determined under subsections (c) and (d) of this  
29 section for the wages and qualified child care expenses with respect to a qualified  
30 employment opportunity employee that are paid in the taxable year for which the  
31 business entity claims the credit.

32 (2) The same tax credit cannot be applied more than once against different  
33 taxes by the same taxpayer.

34 (3) IN ORDER TO CLAIM A TAX CREDIT UNDER SUBSECTIONS (C) AND  
35 (D) OF THIS SECTION FOR WAGES WITH RESPECT TO A QUALIFIED EMPLOYMENT  
36 OPPORTUNITY EMPLOYEE, THE BUSINESS ENTITY SHALL PAY A QUALIFIED  
37 EMPLOYMENT OPPORTUNITY EMPLOYEE AT LEAST THE LIVING WAGE, AS DEFINED  
38 IN ARTICLE 83A, § 5-401 OF THE CODE AFTER THAT EMPLOYEE HAS WORKED FOR  
39 THE BUSINESS ENTITY FOR 1 YEAR.

40 (4) FOR A BUSINESS ENTITY IN ITS FIRST YEAR OF EXISTENCE:

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1 (I) THE BUSINESS ENTITY MAY CLAIM A TAX CREDIT UNDER  
2 SUBSECTIONS (C) AND (D) OF THIS SECTION FOR WAGES WITH RESPECT TO A  
3 QUALIFIED EMPLOYMENT OPPORTUNITY EMPLOYEE AND PAY A QUALIFIED  
4 EMPLOYMENT OPPORTUNITY EMPLOYEE LESS THAN THE LIVING WAGE, AS  
5 DEFINED IN ARTICLE 83A, § 5-401 OF THE CODE, FOR THE FIRST YEAR; AND

6 (II) AFTER THE BUSINESS ENTITY'S FIRST YEAR OF EXISTENCE, IN  
7 ORDER TO CLAIM A TAX CREDIT UNDER SUBSECTIONS (C) AND (D) OF THIS SECTION  
8 FOR WAGES WITH RESPECT TO A QUALIFIED EMPLOYMENT OPPORTUNITY  
9 EMPLOYEE, THE BUSINESS ENTITY SHALL PAY A QUALIFIED EMPLOYMENT  
10 OPPORTUNITY EMPLOYEE AT LEAST THE LIVING WAGE, AS DEFINED IN ARTICLE  
11 83A, § 5-401 OF THE CODE, AFTER THAT EMPLOYEE HAS WORKED FOR THE BUSINESS  
12 ENTITY FOR 1 YEAR.

13 (c) For each taxable year, for the wages paid to each qualified employment  
14 opportunity employee, a credit is allowed in an amount equal to:

15 (1) 30% of up to the first \$6,000 of the wages paid to the qualified  
16 employment opportunity employee during the first year of employment;

17 (2) 20% of up to the first \$6,000 of the wages paid to the qualified  
18 employment opportunity employee during the second year of employment; and

19 (3) 10% of up to the first \$6,000 of the wages paid to the qualified  
20 employment opportunity employee during the third year of employment.

21 (d) For each taxable year, for child care provided or paid for by a business entity  
22 for the children of a qualified employment opportunity employee of the business entity, a  
23 credit is allowed in an amount equal to:

24 (1) Up to \$600 of the qualified child care expenses incurred for each  
25 qualified employment opportunity employee during the first year of employment;

26 (2) Up to \$500 of the qualified child care expenses incurred for each  
27 qualified employment opportunity employee during the second year of employment; and

28 (3) Up to \$400 of the qualified child care expenses incurred for each  
29 qualified employment opportunity employee during the third year of employment.

30 (e) (1) A business entity may not claim the credit under this section for an  
31 employee:

32 (i) Who is hired to replace a laid-off employee or to replace an  
33 employee who is on strike; or

34 (ii) For whom the business entity simultaneously receives federal or  
35 State employment training benefits.

36 (2) A business entity may not claim the credit under this section until it has  
37 notified the appropriate government agency that the qualified employment opportunity  
38 employee has been hired.

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1 (3) A business entity may claim a credit in the amount provided in  
2 paragraph (4) of this subsection for an employee whose employment lasts less than 1 year  
3 if the employee:

4 (i) Voluntarily terminates employment with the employer;

5 (ii) Is unable to continue employment due to death or a disability; or

6 (iii) Is terminated for cause.

7 (4) (i) If a business entity is entitled to a tax credit for an employee who  
8 is employed for less than 1 year because the employee voluntarily terminates employment  
9 with the employer to take another job, the business entity may claim a tax credit of 30%  
10 of up to the first \$6,000 of the wages paid to the employee during the course of  
11 employment.

12 (ii) If a business entity is entitled to a tax credit for an employee who  
13 is employed for less than 1 year for a reason other than that described in subparagraph (i)  
14 of this paragraph, the amount of the credit shall be reduced by the proportion of a year  
15 that the employee did not work.

16 (f) If the credit allowed under this section in any taxable year exceeds the total  
17 tax otherwise payable by the business entity for that taxable year, a business entity may  
18 apply the excess as a credit for succeeding taxable years until the earlier of:

19 (1) The full amount of the excess is used; or

20 (2) The expiration of the fifth taxable year after the taxable year in which  
21 the wages or qualified child care expenses for which the credit is claimed are paid.

22 (g) If a credit is claimed under this section, the claimant must make the addition  
23 required in § 10-205 or § 10-306 of the Tax - General Article.

24 (h) The Comptroller in cooperation with the Department of Labor, Licensing,  
25 and Regulation and the Department of Human Resources shall administer the credit  
26 under this section.

27 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
28 October 1, 1997.