
By: Senators Currie, Madden, and Hoffman

Introduced and read first time: January 22, 1997

Assigned to: Budget and Taxation

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)

2

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

4

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.