

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE  
Revised

House Bill 1181 (Delegate Shriver, *et al.*)

Ways and Means

Referred to Budget and Taxation

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**Tax Credit for Approved Paid Work-Based Learning Programs for Students - Pilot**

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This amended bill creates a pilot tax credit program for youth apprenticeships and other structured employer-supervised learning programs. The Maryland State Department of Education (MSDE) may approve up to 100 student participants each year.

This bill is effective October 1, 1997, and applies to all taxable years beginning after December 31, 1997 and before December 31, 1999. The bill sunsets June 30, 2000.

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**Fiscal Summary**

**State Effect:** Indeterminate decrease in general and special fund revenues for FY 1999 and 2000. Out-year revenues could decrease if credits are carried over. Expenditures would not be affected.

**Local Effect:** Local revenues could decline by an indeterminate amount in FY 1999 and 2000. Expenditures would not be affected.

**Small Business Effect:** Potential meaningful impact on small businesses as discussed below.

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**Fiscal Analysis**

**Bill Summary:** This bill allows an employer to receive a tax credit of 15% of an employee's wages if the employer establishes and has approved by the Maryland State Department of Education (MSDE) a structured employer-supervised learning program. The credit is limited to \$1,500 for each employee over the time the student is employed by the same business, if the student has been employed at least six months. The employee must be enrolled in a secondary or postsecondary school in the State, and be between 16 and 23 years old. The

program shall provide learning in the workplace which is integrated with classroom instruction and results in academic credit. MSDE may delegate its authority to approve these programs to one or more private industry councils.

The credit is allowed for taxable years beginning on or before December 31, 1999, and may be claimed against the financial institution franchise tax, the public service company franchise tax, individual and corporate income taxes, and the insurance premium tax. The credit may be carried over for up to five years.

**State Revenues:** It is assumed that:

- ° approximately 3,400 secondary students participate in cooperative education programs which are eligible under this bill;
- ° these students are paid \$5.49 per hour for 23 hours per week, 30 weeks per year;
- ° 1,325 postsecondary students have internships at for-profit businesses;
- ° these students are paid \$8.68 per hour for 14 hours, 30 weeks per year;
- ° 220 postsecondary students participate in cooperative study programs; and
- ° these students have an average annual salary of \$23,100.

Up to 100 students could participate in the program per year. For illustrative purposes, if 75 of the participants were secondary school students, and 25 were college interns, total annual credits would be approximately \$56,300. However, the amount would increase if any of the participants were postsecondary students in cooperative programs. The pilot program lasts for two years and nine months.

Credits taken on an individual return affect general fund revenues. Any credit applied to corporate income taxes will affect both general and special fund revenues, since approximately 23% of this tax is allocated to the Gasoline and Motor Vehicle Revenue Account (GMVRA); these special funds are then distributed 70/30 to the Transportation Trust Fund and to local governments. The credit could be applied against the financial institution franchise tax, the public service company franchise tax, or the insurance premium tax rather than the income tax. The credit amount allowed would be the same.

**State Expenditures:** MSDE is required to adopt regulations to implement this program, including the approval process for youth apprenticeships or other structured employer-supervised learning programs. The department may delegate the approval authority, and has advised the Department of Fiscal Services that it plans to do so. Therefore, there would be no impact on State expenditures for administering the approval process. The Office of the Comptroller likewise advises that the requirements of this bill could be handled with existing resources.

**Local Revenues:** Local revenues that result from the distribution of GMVRA funds would decrease.

**Small Business Effect:** Small businesses that employ students in qualified programs could receive a tax credit of up to \$1,500 per employee. It is not known at this time how many qualified employers would be considered small businesses.

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**Information Source(s):** Department of Education, Department of Assessments and Taxation, Maryland Insurance Administration, Department of Business and Economic Development, Department of Fiscal Services

**Fiscal Note History:** First Reader - March 4, 1997

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