

HOUSE BILL 565

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1998 Regular Session
(8lr1729)

ENROLLED BILL
-- Ways and Means/Budget and Taxation --

Introduced by **Delegates Shriver, C. Davis, Bozman, Hixson, Howard, and Healey Healey, and Cryor**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____ M.

Speaker.

CHAPTER _____

1 AN ACT concerning

2 **Work, Not Welfare Tax Incentive Act - Child Care ~~and~~ or Transportation**
3 **Expenses**

4 FOR the purpose of extending and amending the Work, Not Welfare Tax Credit to
5 allow a credit against the State income tax, financial institution franchise tax,
6 insurance premium tax, and public service company franchise tax for certain
7 wages paid and certain child care ~~and~~ or transportation expenses incurred by a
8 business entity with respect to certain employees; providing a calculation for the
9 credit; requiring the Department of Legislative Services to conduct a certain
10 study and report to certain committees of the General Assembly; requiring
11 certain units of State government to make certain reports to the Governor and
12 General Assembly; modifying the termination of a certain Act; providing for the
13 application applicability of this Act; and generally relating to a credit against
14 the State income tax for certain wages paid and certain child care ~~and~~ or
15 transportation expenses incurred by a business entity with respect to certain
16 qualified employment opportunity employees.

1 BY repealing and reenacting, with amendments,
2 Article 88A - Department of Human Resources
3 Section 54
4 Annotated Code of Maryland
5 (1995 Replacement Volume and 1997 Supplement)

6 BY repealing and reenacting, with amendments,
7 Article - Insurance
8 Section 6-105.1
9 Annotated Code of Maryland
10 (1997 Volume)

11 BY repealing and reenacting, with amendments,
12 Article - Tax - General
13 Section 8-213, 8-410, 10-205(b), and 10-704.3
14 Annotated Code of Maryland
15 (1997 Replacement Volume)

16 BY repealing and reenacting, with amendments,
17 Chapter 492 of the Acts of the General Assembly of 1995, as amended by
18 Chapter 10 of the Acts of the General Assembly of 1996
19 Section 3

20 BY repealing and reenacting, with amendments,
21 Chapter 379 of the Acts of the General Assembly of 1996, as amended by
22 Chapters 14 and 70 of the Acts of the General Assembly of 1997
23 Section 3

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

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

27 54.

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

29 (2) "Business entity" means:

30 (i) A person conducting or operating a trade or business in
31 Maryland; or

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

1 (3) "Qualified child care expenses" means State regulated child care
 2 expenses that are incurred by a business entity to enable a qualified employment
 3 opportunity employee of the business to be gainfully employed.

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

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

14 (5) "TRANSPORTATION EXPENSES" MEANS EXPENSES THAT ARE
 15 INCURRED BY A BUSINESS ENTITY TO ENABLE A QUALIFIED EMPLOYMENT
 16 OPPORTUNITY EMPLOYEE TO TRAVEL TO AND FROM WORK.

17 (6) "Wages" means wages, within the meaning of § 51(c)(1), (2), and (3) of
 18 the Internal Revenue Code without regard to § 51(c)(4) of the Internal Revenue Code,
 19 that are paid by a business entity to an employee for services performed in a trade or
 20 business of the employer BUSINESS ENTITY.

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

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

28 (c) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION,
 29 [For] FOR each taxable year, for the wages paid to each qualified employment
 30 opportunity employee, a credit is allowed in an amount equal to ~~40% OF UP TO THE~~
 31 ~~FIRST \$6,000 OF THE WAGES PAID TO THE QUALIFIED EMPLOYMENT OPPORTUNITY~~
 32 ~~EMPLOYEE DURING THE FIRST YEAR OF EMPLOYMENT~~;

33 (1) 30% of up to the first \$6,000 of the wages paid to the qualified
 34 employment opportunity employee during the first year of employment; AND

35 (2) 20% of up to the first \$6,000 of the wages paid to the qualified
 36 employment opportunity employee during the second year of employment; ~~and~~

37 ~~(3) 10% of up to the first \$6,000 of the wages paid to the qualified~~
 38 ~~employment opportunity employee during the third year of employment~~;

1 (2) IF THE QUALIFIED EMPLOYMENT OPPORTUNITY EMPLOYEE HAS
2 BEEN A RECIPIENT OF TEMPORARY CASH ASSISTANCE FROM THE STATE UNDER THE
3 AID TO FAMILIES WITH DEPENDENT CHILDREN PROGRAM OR THE FAMILY
4 INVESTMENT PROGRAM FOR AT LEAST 18 *OF THE LAST 48* MONTHS, WHETHER
5 CONSECUTIVE OR NOT CONSECUTIVE, AND HAS BEEN EMPLOYED FOR A FULL YEAR
6 BY ~~THE EMPLOYER~~ A BUSINESS ENTITY CLAIMING THE CREDIT, THE CREDIT
7 ALLOWED UNDER THIS SECTION IS AN AMOUNT EQUAL TO ~~50%~~ 40% OF UP TO THE
8 FIRST \$10,000 IN WAGES PAID TO THE QUALIFIED EMPLOYMENT OPPORTUNITY
9 EMPLOYEE DURING THE FIRST YEAR OF EMPLOYMENT.

10 (d) For each taxable year, for child care provided or paid for by a business
11 entity for the children of a qualified employment opportunity employee of the
12 business entity OR FOR TRANSPORTATION EXPENSES, a credit is allowed in an
13 amount equal to:

14 (1) Up ~~UP~~ to \$600 of the qualified child care OR TRANSPORTATION
15 expenses incurred for each qualified employment opportunity employee during the
16 first year of employment; AND

17 (2) Up to \$500 of the qualified child care expenses incurred for each
18 qualified employment opportunity employee during the second year of employment;
19 ~~and.~~

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

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

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

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

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

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

34 (i) Voluntarily terminates employment with the employer;

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

37 (iii) Is terminated for cause.

1 (4) (i) If a business entity is entitled to a tax credit UNDER
2 PARAGRAPH (C)(1) OF THIS SECTION for an employee who is employed for less than 1
3 year because the employee voluntarily terminates employment with the employer to
4 take another job, the business entity may claim a tax credit of {30%}40% of up to the
5 first \$6,000 of the wages paid to the employee during the course of employment.

6 (ii) If a business entity is entitled to a tax credit UNDER
7 PARAGRAPH (C)(1) OF THIS SECTION for an employee who is employed for less than 1
8 year for a reason other than that described in subparagraph (i) of this paragraph, the
9 amount of the credit shall be reduced by the proportion of a year that the employee
10 did not work.

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

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

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

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

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

24 (I) THE DEPARTMENT OF LABOR, LICENSING, AND REGULATION, THE
25 DEPARTMENT OF HUMAN RESOURCES, AND THE COMPTROLLER SHALL REPORT TO
26 THE GOVERNOR AND, SUBJECT TO § 2-1246 OF THE STATE GOVERNMENT ARTICLE, TO
27 THE GENERAL ASSEMBLY BEFORE ~~NOVEMBER 15~~ JANUARY 15 OF EACH YEAR ON:

28 (1) MARKETING ACTIVITIES;

29 (2) THE COORDINATION OF INTERAGENCY ACTIVITIES;

30 (3) THE NUMBER OF BUSINESS ENTITIES WHO HIRED EMPLOYMENT
31 OPPORTUNITY EMPLOYEES DURING THE PRECEDING YEAR, INCLUDING A SEPARATE
32 ACCOUNT OF THE NUMBER OF ORGANIZATIONS THAT ARE EXEMPT FROM TAXATION
33 UNDER § 501(C)(3) OR (4) OF THE INTERNAL REVENUE CODE;

34 (4) THE NUMBER OF EMPLOYMENT OPPORTUNITY EMPLOYEES;

35 (I) HIRED IN EACH BUSINESS SECTOR FOR THE PRECEDING YEAR;
36 AND

1 (II) HIRED DURING THE PRECEDING YEAR AND EMPLOYED FOR
2 LESS THAN 1 YEAR;

3 (5) A SUMMARY OF THE WAGES PAID TO EMPLOYMENT OPPORTUNITY
4 EMPLOYEES FOR THE PRECEDING YEAR; ~~AND~~

5 (6) THE TOTAL NUMBER AND AMOUNT OF JOB CERTIFICATIONS ISSUED
6 AND CREDITS CLAIMED DURING THE PRECEDING ~~FISCAL~~ YEAR AS WELL AS THE
7 NUMBER AND AMOUNT OF JOB CERTIFICATIONS ISSUED AND CREDITS CLAIMED
8 DURING THE PRECEDING YEAR FOR EMPLOYMENT OPPORTUNITY EMPLOYEES
9 ELIGIBLE FOR THE CREDIT GRANTED UNDER SUBSECTION (C)(2) OF THIS SECTION;

10 (7) THE NUMBER AND AMOUNT OF CREDITS CLAIMED FOR CHILD CARE
11 OR TRANSPORTATION EXPENSES INCURRED, INCLUDING A SUMMARY OF THE TYPES
12 OF TRANSPORTATION EXPENSES INCURRED BY BUSINESS ENTITIES; AND

13 (8) THE NUMBER OF EMPLOYMENT OPPORTUNITY EMPLOYEES
14 EMPLOYED FOR:

15 (I) MORE THAN 1 YEAR BUT LESS THAN 2 YEARS;

16 (II) MORE THAN 2 YEARS BUT LESS THAN 3 YEARS; AND

17 (III) 3 YEARS OR MORE.

18 **Article - Insurance**

19 6-105.1.

20 An insurer may claim a credit against the premium tax payable under this
21 subtitle for wages paid to a qualified employment opportunity employee and for child
22 care provided or paid by the insurer for the children of a qualified employment
23 opportunity employee OR TRANSPORTATION EXPENSES as provided under Article
24 88A, § 54 of the Code.

25 **Article - Tax - General**

26 8-213.

27 A financial institution may claim a credit against the financial institution
28 franchise tax for wages paid to qualified employment opportunity employees and for
29 child care provided or paid by a business entity for the children of a qualified
30 employment opportunity employee OR TRANSPORTATION EXPENSES as provided
31 under Article 88A, § 54 of the Code.

32 8-410.

33 A public service company may claim a credit against the public service company
34 franchise tax for wages paid to qualified employment opportunity employees and for
35 child care provided or paid by a business entity for the children of a qualified

1 employment opportunity employee OR TRANSPORTATION EXPENSES as provided
2 under Article 88A, § 54 of the Code.

3 10-205.

4 (b) The addition under subsection (a) of this section includes the amount of a
5 credit claimed under:

6 (1) § 10-702 of this title for wages paid to an employee in an enterprise
7 zone;

8 (2) § 10-704.3 of this title or § 8-213 of this article for wages paid and
9 qualified child care OR TRANSPORTATION expenses incurred with respect to qualified
10 employment opportunity employees; or

11 (3) § 10-704.7 of this title or § 8-216 of this article for wages paid and
12 qualified child care or transportation expenses incurred with respect to a qualified
13 employee with a disability.

14 10-704.3.

15 (a) An individual or a corporation may claim a credit against the income tax
16 for wages paid to qualified employment opportunity employees and for child care
17 provided or paid for by a business entity for the children of a qualified employment
18 opportunity employee OR TRANSPORTATION EXPENSES as provided under Article
19 88A, § 54 of the Code.

20 (b) An organization that is exempt from taxation under § 501(c)(3) or (4) of the
21 Internal Revenue Code may apply the credit under this section as a credit against
22 income tax due on unrelated business taxable income as provided under §§ 10-304
23 and 10-812 of this title.

24 **Chapter 492 of the Acts of 1995, as amended by Chapter 10 of the Acts of 1996**

25 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
26 July 1, 1995, and shall be applicable to all taxable years beginning after December 31,
27 1994 but before January 1, [2002] ~~2003~~ 2004; provided, however, that the tax credit
28 under Article 88A, [§ 56] § 54 of the Code, as enacted under Section 1 of this Act,
29 shall be allowed only for employees hired on or after June 1, 1995 but before July 1,
30 [1998] 2001; and provided further that any excess credits under Article 88A, [§ 56] §
31 54 of the Code may be carried forward and, subject to the limitations under Article
32 88A, [§ 56] § 54 of the Code, may be applied as a credit for taxable years beginning on
33 or after January 1, [2002] ~~2003~~ 2004. Except as otherwise provided in this Section,
34 this Act shall remain in effect for a period of [3] 6 years and at the end of June 30,
35 [1998] 2001, with no further action required by the General Assembly, this Act shall
36 be abrogated and of no further force and effect.

1 **Chapter 379 of the Acts of 1996, as amended by Chapters 14 and 70 of the Acts**
2 **of 1997**

3 SECTION 3. AND BE IT FURTHER ENACTED, That:

4 (a) this Act shall be applicable to all taxable years beginning after December
5 31, 1995, but before January 1, [2002] ~~2003~~ 2004;

6 (b) the tax credit under [Article 48A, § 633 of the Code and] § 6-105.1 of the
7 Insurance Article shall be allowed only for employees hired on or after June 1, 1995,
8 but before July 1, [1998] 2001; and

9 (c) any excess credits may be carried forward and, subject to the limitations of
10 Article 88A, § 54 of the Code, may be applied as a credit for taxable years beginning
11 on or after January 1, [2002] ~~2003~~ 2004.

12 SECTION 2. AND BE IT FURTHER ENACTED, That:

13 (a) The Department of Legislative Services shall conduct a study of the
14 efficacy and effectiveness of the tax credit program established under this Act in
15 increasing the employment and prospects for self-sufficiency of the target population,
16 including an analysis of the profile of employers having taken advantage of these tax
17 credits in hiring new employees, cost effectiveness of the subsidy in reaching State
18 goals, and the appropriateness of the levels of the tax credits.

19 (b) In carrying out the study, the Department of Legislative Services shall
20 receive information from, and consult with, the Department of Human Resources, the
21 Department of Labor, Licensing, and Regulation, the Department of Assessments and
22 Taxation, the Comptroller, and appropriate representatives of private employers, and
23 shall review the data submitted under subsection 54(i) of Article 88A of the Code.

24 (c) The Department of Legislative Services shall complete and present the
25 result of the study to the Senate Budget and Taxation Committee and the House
26 Committee on Ways and Means by December 1, 2000.

27 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
28 June 1, 1998 and shall be applicable with respect to all employees hired after June 1,
29 1998.