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By: **Delegates Shriver, C. Davis, Bozman, Hixson, Howard, and Healey**  
Introduced and read first time: February 5, 1998  
Assigned to: Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

2                                   **Work, Not Welfare Tax Incentive Act - Child Care and 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 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; and generally  
13 relating to a credit against the State income tax for certain wages paid and  
14 certain child care and transportation expenses incurred by a business entity  
15 with respect to certain qualified employment opportunity employees.

16 BY repealing and reenacting, with amendments,  
17 Article 88A - Department of Human Resources  
18 Section 54  
19 Annotated Code of Maryland  
20 (1995 Replacement Volume and 1997 Supplement)

21 BY repealing and reenacting, with amendments,  
22 Article - Insurance  
23 Section 6-105.1  
24 Annotated Code of Maryland  
25 (1997 Volume)

26 BY repealing and reenacting, with amendments,  
27 Article - Tax - General  
28 Section 8-213, 8-410, 10-205(b), and 10-704.3  
29 Annotated Code of Maryland  
30 (1997 Replacement Volume)

1 BY repealing and reenacting, with amendments,  
2 Chapter 492 of the Acts of the General Assembly of 1995, as amended by  
3 Chapter 10 of the Acts of the General Assembly of 1996  
4 Section 3

5 BY repealing and reenacting, with amendments,  
6 Chapter 379 of the Acts of the General Assembly of 1996, as amended by  
7 Chapters 14 and 70 of the Acts of the General Assembly of 1997  
8 Section 3

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

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

12 54.

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

14 (2) "Business entity" means:

15 (i) A person conducting or operating a trade or business in  
16 Maryland; or

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

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

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

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

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

35 (6) "Wages" means wages, within the meaning of § 51(c)(1), (2), and (3) of  
36 the Internal Revenue Code without regard to § 51(c)(4) of the Internal Revenue Code,

1 that are paid by a business entity to an employee for services performed in a trade or  
2 business of the employer.

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

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

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

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 (2) IF THE QUALIFIED EMPLOYMENT OPPORTUNITY EMPLOYEE HAS  
22 BEEN A RECIPIENT OF TEMPORARY CASH ASSISTANCE FROM THE STATE UNDER THE  
23 AID TO FAMILIES WITH DEPENDENT CHILDREN PROGRAM OR THE FAMILY  
24 INVESTMENT PROGRAM FOR AT LEAST 18 MONTHS, WHETHER CONSECUTIVE OR NOT  
25 CONSECUTIVE, AND HAS BEEN EMPLOYED FOR A FULL YEAR BY THE EMPLOYER  
26 CLAIMING THE CREDIT, THE CREDIT ALLOWED UNDER THIS SECTION IS AN AMOUNT  
27 EQUAL TO 50% OF UP TO THE FIRST \$10,000 IN WAGES PAID TO THE QUALIFIED  
28 EMPLOYMENT OPPORTUNITY EMPLOYEE DURING THE FIRST YEAR OF EMPLOYMENT.

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

33 (1) Up] UP to \$600 of the qualified child care OR TRANSPORTATION  
34 expenses incurred for each qualified employment opportunity employee during the  
35 first year of employment[;

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

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

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

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

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

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

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

15 (i) Voluntarily terminates employment with the employer;

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

18 (iii) Is terminated for cause.

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

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

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

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

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

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

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

6 (I) THE DEPARTMENT OF LABOR, LICENSING, AND REGULATION, THE  
7 DEPARTMENT OF HUMAN RESOURCES, AND THE COMPTROLLER SHALL REPORT TO  
8 THE GOVERNOR AND, SUBJECT TO § 2-1246 OF THE STATE GOVERNMENT ARTICLE, TO  
9 THE GENERAL ASSEMBLY BEFORE NOVEMBER 15 OF EACH YEAR ON:

10 (1) MARKETING ACTIVITIES;

11 (2) THE COORDINATION OF INTERAGENCY ACTIVITIES;

12 (3) THE NUMBER OF BUSINESS ENTITIES WHO HIRED EMPLOYMENT  
13 OPPORTUNITY EMPLOYEES DURING THE PRECEDING YEAR;

14 (4) THE NUMBER OF EMPLOYMENT OPPORTUNITY EMPLOYEES;

15 (I) HIRED IN EACH BUSINESS SECTOR FOR THE PRECEDING YEAR;

16 AND

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

19 (5) A SUMMARY OF THE WAGES PAID TO EMPLOYMENT OPPORTUNITY  
20 EMPLOYEES FOR THE PRECEDING YEAR; AND

21 (6) THE NUMBER AND AMOUNT OF JOB CERTIFICATIONS ISSUED AND  
22 CREDITS CLAIMED DURING THE PRECEDING FISCAL YEAR.

23 **Article - Insurance**

24 6-105.1.

25 An insurer may claim a credit against the premium tax payable under this  
26 subtitle for wages paid to a qualified employment opportunity employee and for child  
27 care provided or paid by the insurer for the children of a qualified employment  
28 opportunity employee OR TRANSPORTATION EXPENSES as provided under Article  
29 88A, § 54 of the Code.

30 **Article - Tax - General**

31 8-213.

32 A financial institution may claim a credit against the financial institution  
33 franchise tax for wages paid to qualified employment opportunity employees and for  
34 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 8-410.

4 A public service company may claim a credit against the public service company  
5 franchise tax for wages paid to qualified employment opportunity employees and for  
6 child care provided or paid by a business entity for the children of a qualified  
7 employment opportunity employee OR TRANSPORTATION EXPENSES as provided  
8 under Article 88A, § 54 of the Code.

9 10-205.

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

12 (1) § 10-702 of this title for wages paid to an employee in an enterprise  
13 zone;

14 (2) § 10-704.3 of this title or § 8-213 of this article for wages paid and  
15 qualified child care OR TRANSPORTATION expenses incurred with respect to qualified  
16 employment opportunity employees; or

17 (3) § 10-704.7 of this title or § 8-216 of this article for wages paid and  
18 qualified child care or transportation expenses incurred with respect to a qualified  
19 employee with a disability.

20 10-704.3.

21 (a) An individual or a corporation may claim a credit against the income tax  
22 for wages paid to qualified employment opportunity employees and for child care  
23 provided or paid for by a business entity for the children of a qualified employment  
24 opportunity employee OR TRANSPORTATION EXPENSES as provided under Article  
25 88A, § 54 of the Code.

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

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

31 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
32 July 1, 1995, and shall be applicable to all taxable years beginning after December 31,  
33 1994 but before January 1, [2002] 2003; provided, however, that the tax credit under  
34 Article 88A, [§ 56] § 54 of the Code, as enacted under Section 1 of this Act, shall be  
35 allowed only for employees hired on or after June 1, 1995 but before July 1, [1998]  
36 2001; and provided further that any excess credits under Article 88A, [§ 56] § 54 of  
37 the Code may be carried forward and, subject to the limitations under Article 88A, [§  
38 56] § 54 of the Code, may be applied as a credit for taxable years beginning on or after

1 January 1, [2002] 2003. Except as otherwise provided in this Section, this Act shall  
2 remain in effect for a period of [3] 6 years and at the end of June 30, [1998] 2001,  
3 with no further action required by the General Assembly, this Act shall be abrogated  
4 and of no further force and effect.

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

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

8 (a) this Act shall be applicable to all taxable years beginning after December  
9 31, 1995, but before January 1, [2002] 2003;

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

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

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

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

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

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

31 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
32 June 1, 1998.