

HOUSE BILL 1155

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Q3

1998 Regular Session
(8lr1797)

ENROLLED BILL

-- *Ways and Means/Budget and Taxation* --

Introduced by **Delegates Howard, C. Davis, Finifter, Morhaim, Dembrow,
Rosenberg, Marriott, McIntosh, McKee, Shriver, Bobo, Muse, Hurson,
Kopp, and Barve**

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, and Qualifying Employees with Disabilities Tax Credits -**
3 **Tax Exempt Organizations - Withholding Taxes**

4 FOR the purpose of allowing certain tax exempt organizations to apply certain tax
5 credits against the payment to the Comptroller of certain taxes required to be
6 withheld from the wages of employees and required to be paid to the
7 Comptroller; altering certain provisions relating to the applicability of certain
8 tax credits; making certain provisions of this Act contingent on the taking effect
9 of certain other legislation; and generally relating to the application of certain
10 tax credits for certain tax exempt organizations against certain payments.

11 BY repealing and reenacting, with amendments,
12 Article - Tax - General
13 Section 10-704.3
14 Annotated Code of Maryland

1 (1997 Replacement Volume)

2 BY repealing and reenacting, with amendments,
3 Chapter 626 of the Acts of the General Assembly of 1996, as amended by
4 Chapter 14 of the Acts of the General Assembly of 1997
5 Section 4

6 BY repealing and reenacting, with amendments,
7 Chapter 626 of the Acts of the General Assembly of 1996
8 Section 5

9 BY repealing and reenacting, with amendments,
10 Article - Tax - General
11 Section 10-704.7
12 Annotated Code of Maryland
13 (1997 Replacement Volume)

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

16 **Article - Tax - General**

17 10-704.3.

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

22 (b) (1) An organization that is exempt from taxation under § 501(c)(3) or (4)
23 of the Internal Revenue Code may apply the credit under this section:

24 (I) as a credit against income tax due on unrelated business
25 taxable income as provided under §§ 10-304 and 10-812 of this title; OR

26 (II) AS A CREDIT FOR THE PAYMENT TO THE COMPTROLLER OF
27 TAXES THAT THE ORGANIZATION:

28 1. ~~HAS WITHHELD IS REQUIRED TO WITHHOLD~~ FROM THE
29 WAGES OF EMPLOYEES UNDER § 10-908 OF THIS TITLE; AND

30 2. IS REQUIRED TO PAY TO THE COMPTROLLER UNDER §
31 10-906(A) OF THIS TITLE.

32 (2) IF THE CREDIT ALLOWED UNDER THIS SUBSECTION IN ANY TAXABLE
33 YEAR EXCEEDS THE SUM OF THE STATE INCOME TAX OTHERWISE PAYABLE BY THE
34 ORGANIZATION FOR THAT TAXABLE YEAR AND THE TAXES THAT THE ORGANIZATION
35 HAS WITHHELD FROM THE WAGES OF EMPLOYEES AND IS REQUIRED TO PAY TO THE

1 COMPTROLLER UNDER § 10-906(A) OF THIS TITLE FOR THE TAXABLE YEAR, THE
 2 ORGANIZATION MAY APPLY THE EXCESS AS A CREDIT UNDER PARAGRAPH (1)(I) OR (II)
 3 OF THIS SUBSECTION IN SUCCEEDING TAXABLE YEARS FOR THE CARRYFORWARD
 4 PERIOD PROVIDED IN ARTICLE 88A, § 54 OF THE CODE.

5 (3) THE COMPTROLLER SHALL ADOPT REGULATIONS TO PROVIDE
 6 PROCEDURES FOR CLAIMING AND APPLYING CREDITS AUTHORIZED UNDER
 7 PARAGRAPH (1)(II) OF THIS SUBSECTION.

8 **Chapter 626 of the Acts of 1996, as amended by Chapter 14 of the Acts of 1997**

9 SECTION 4. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall
 10 be applicable to all taxable years beginning after December 31, 1995 [, but before
 11 January 1, 2002] TO WHICH CHAPTER 492 OF THE ACTS OF 1995, AS AMENDED, ARE
 12 APPLICABLE; provided however, that:

13 (1) The tax credits allowed under Section 2 of this Act shall be allowed only for
 14 employees hired [on or after June 1, 1995, but before July 1, 1998] DURING THE
 15 PERIOD SPECIFIED IN CHAPTER 492 OF THE ACTS OF 1995, AS AMENDED; and

16 (2) Any excess credits may be carried forward and, subject to the limitations of
 17 Article 88A, § 54(f) of the Code, may be applied as a credit for LATER taxable years
 18 [beginning on or after January 1, 2002] AS PROVIDED IN CHAPTER 492 OF THE ACTS
 19 OF 1995, AS AMENDED.

20

Chapter 626 of the Acts of 1996

21 SECTION 5. AND BE IT FURTHER ENACTED, That, subject to Section 4 of
 22 this Act, Section 2 of this Act shall remain in effect [for a period of 2 years] ONLY
 23 UNTIL THE EXPIRATION OF CHAPTER 492 OF THE ACTS OF 1995, AS AMENDED, and,
 24 [at the end of June 30, 1998] WHEN CHAPTER 492 OF THE ACTS OF 1995, AS
 25 AMENDED, TERMINATES AND BECOMES OF NO FURTHER FORCE AND EFFECT, with
 26 no further action required by the General Assembly, Section 2 of this Act shall be
 27 abrogated and of no further force and effect.

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

30

Article - Tax - General

31 10-704.7.

32 (a) An individual or a corporation may claim a credit against the income tax
 33 for:

34 (1) wages paid to a qualified employee with a disability; and

35 (2) (i) child care provided or paid for by a business entity for the
 36 children of a qualified employee with a disability as provided under § 21-309 of the
 37 Education Article; or

1 (ii) transportation provided or paid for by the business entity for a
2 qualified employee with a disability as provided under § 21-309 of the Education
3 Article.

4 (b) (1) An organization that is exempt from taxation under § 501(c)(3) or (4)
5 of the Internal Revenue Code may apply the credit under this section:

6 (I) as a credit against income tax due on unrelated business
7 taxable income as provided under §§ 10-304 and 10-812 of this title; OR

8 (II) AS A CREDIT FOR THE PAYMENT TO THE COMPTROLLER OF
9 TAXES THAT THE ORGANIZATION:

10 1. ~~HAS WITHHELD IS REQUIRED TO WITHHOLD~~ FROM THE
11 WAGES OF EMPLOYEES UNDER § 10-908 OF THIS TITLE; AND

12 2. IS REQUIRED TO PAY TO THE COMPTROLLER UNDER §
13 10-906(A) OF THIS TITLE.

14 (2) IF THE CREDIT ALLOWED UNDER THIS SUBSECTION IN ANY TAXABLE
15 YEAR EXCEEDS THE SUM OF THE STATE INCOME TAX OTHERWISE PAYABLE BY THE
16 ORGANIZATION FOR THAT TAXABLE YEAR AND THE TAXES THAT THE ORGANIZATION
17 HAS WITHHELD FROM THE WAGES OF EMPLOYEES AND IS REQUIRED TO PAY TO THE
18 COMPTROLLER UNDER § 10-906(A) OF THIS TITLE FOR THE TAXABLE YEAR, THE
19 ORGANIZATION MAY APPLY THE EXCESS AS A CREDIT UNDER PARAGRAPH (1)(I) OR (II)
20 OF THIS SUBSECTION IN SUCCEEDING TAXABLE YEARS FOR THE CARRYFORWARD
21 PERIOD PROVIDED IN § 21-309 OF THE EDUCATION ARTICLE.

22 (3) THE COMPTROLLER SHALL ADOPT REGULATIONS TO PROVIDE
23 PROCEDURES FOR CLAIMING AND APPLYING CREDITS AUTHORIZED UNDER
24 PARAGRAPH (1)(II) OF THIS SUBSECTION.

25 SECTION 3. AND BE IT FURTHER ENACTED, That the taking effect of
26 Section 1 of this Act is contingent on the taking effect of ~~legislation during the 1998~~
27 ~~Session of the General Assembly extending the effectiveness of Chapter 492 of the~~
28 ~~Acts of 1995 Chapter (S.B. 292/H.B. 565) of the Acts of the General Assembly of~~
29 ~~1998, and if such legislation Chapter~~ does not become effective, Section 1 of this
30 Act shall be null and void without the necessity of further action by the General
31 Assembly.

32 SECTION 4. AND BE IT FURTHER ENACTED, That, subject to Section 3 of
33 this Act, this Act shall take effect July 1, 1998; provided, however, that only credits
34 with respect to employees hired on or after July 1, 1998 may be applied against the
35 payment to the Comptroller of taxes that an organization has withheld from the
36 wages of employees in accordance with §§ 10-704.3(b)(1)(ii) and 10-704.7(b)(1)(ii) of
37 the Tax - General Article as enacted under this Act.

