

HOUSE BILL 1155

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1998 Regular Session
8r1797
CF 8r1796

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

Introduced and read first time: February 13, 1998
Assigned to: Ways and Means

Committee Report: Favorable with amendments
House action: Adopted
Read second time: March 25, 1998

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
15 (1997 Replacement Volume)

16 BY repealing and reenacting, with amendments,
17 Chapter 626 of the Acts of the General Assembly of 1996, as amended by
18 Chapter 14 of the Acts of the General Assembly of 1997
19 Section 4

20 BY repealing and reenacting, with amendments,
21 Chapter 626 of the Acts of the General Assembly of 1996
22 Section 5

1 BY repealing and reenacting, with amendments,
2 Article - Tax - General
3 Section 10-704.7
4 Annotated Code of Maryland
5 (1997 Replacement Volume)

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

8 **Article - Tax - General**

9 10-704.3.

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

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

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

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

20 1. HAS WITHHELD FROM THE WAGES OF EMPLOYEES; AND

21 2. IS REQUIRED TO PAY TO THE COMPTROLLER UNDER §
22 10-906(A) OF THIS TITLE.

23 (2) IF THE CREDIT ALLOWED UNDER THIS SUBSECTION IN ANY TAXABLE
24 YEAR EXCEEDS THE SUM OF THE STATE INCOME TAX OTHERWISE PAYABLE BY THE
25 ORGANIZATION FOR THAT TAXABLE YEAR AND THE TAXES THAT THE ORGANIZATION
26 HAS WITHHELD FROM THE WAGES OF EMPLOYEES AND IS REQUIRED TO PAY TO THE
27 COMPTROLLER UNDER § 10-906(A) OF THIS TITLE FOR THE TAXABLE YEAR, THE
28 ORGANIZATION MAY APPLY THE EXCESS AS A CREDIT UNDER PARAGRAPH (1)(I) OR (II)
29 OF THIS SUBSECTION IN SUCCEEDING TAXABLE YEARS FOR THE CARRYFORWARD
30 PERIOD PROVIDED IN ARTICLE 88A, § 54 OF THE CODE.

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

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

35 SECTION 4. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall
36 be applicable to all taxable years beginning after December 31, 1995 [, but before

1 January 1, 2002] TO WHICH CHAPTER 492 OF THE ACTS OF 1995, AS AMENDED, ARE
2 APPLICABLE; provided however, that:

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

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

10 **Chapter 626 of the Acts of 1996**

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

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

20 **Article - Tax - General**

21 10-704.7.

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

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

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

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

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

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

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

1 1. HAS WITHHELD FROM THE WAGES OF EMPLOYEES; AND
2 2. IS REQUIRED TO PAY TO THE COMPTROLLER UNDER §
3 10-906(A) OF THIS TITLE.

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

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

15 SECTION 3. AND BE IT FURTHER ENACTED, That the taking effect of
16 Section 1 of this Act is contingent on the taking effect of ~~legislation during the 1998~~
17 ~~Session of the General Assembly extending the effectiveness of Chapter 492 of the~~
18 ~~Acts of 1995 Chapter~~ (S.B. 292/H.B. 565) of the Acts of the General Assembly of
19 1998, and if ~~such legislation Chapter~~ does not become effective, Section 1 of this
20 Act shall be null and void without the necessity of further action by the General
21 Assembly.

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