

SENATE BILL 292

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1998 Regular Session
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By: **Senators Currie, Madden, Middleton, McFadden, Lawlah, Hogan, Neall,
Teitelbaum, Boozer, Van Hollen, Hoffman, Kasemeyer, Ruben, Munson,
Fry, and Sfikas**

Introduced and read first time: February 4, 1998
Assigned to: Budget and Taxation

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

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 applicability of this Act; and generally relating to a credit against the State
14 income tax for certain wages paid and certain child care ~~and~~ or transportation
15 expenses incurred by a business entity with respect to certain qualified
16 employment opportunity employees.

17 BY repealing and reenacting, with amendments,
18 Article 88A - Department of Human Resources
19 Section 54
20 Annotated Code of Maryland
21 (1995 Replacement Volume and 1997 Supplement)

22 BY repealing and reenacting, with amendments,
23 Article - Insurance

1 Section 6-105.1
2 Annotated Code of Maryland
3 (1997 Volume)

4 BY repealing and reenacting, with amendments,
5 Article - Tax - General
6 Section 8-213, 8-410, 10-205(b), and 10-704.3
7 Annotated Code of Maryland
8 (1997 Replacement Volume)

9 BY repealing and reenacting, with amendments,
10 Chapter 492 of the Acts of the General Assembly of 1995, as amended by
11 Chapter 10 of the Acts of the General Assembly of 1996
12 Section 3

13 BY repealing and reenacting, with amendments,
14 Chapter 379 of the Acts of the General Assembly of 1996, as amended by
15 Chapters 14 and 70 of the Acts of the General Assembly of 1997
16 Section 3

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

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

20 54.

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

22 (2) "Business entity" means:

23 (i) A person conducting or operating a trade or business in
24 Maryland; or

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

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

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

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

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

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

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

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

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

24 (1) 30% of up to the first \$6,000 of the wages paid to the qualified
 25 employment opportunity employee during the first year of employment; AND

26 (2) 20% of up to the first \$6,000 of the wages paid to the qualified
 27 employment opportunity employee during the second year of employment; ~~and~~

28 ~~(3) 10% of up to the first \$6,000 of the wages paid to the qualified~~
 29 ~~employment opportunity employee during the third year of employment~~};

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

39 (d) For each taxable year, for child care provided or paid for by a business
 40 entity for the children of a qualified employment opportunity employee of the

1 business entity OR FOR TRANSPORTATION EXPENSES, a credit is allowed in an
2 amount equal to:

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

6 (2) Up to \$500 of the qualified child care expenses incurred for each
7 qualified employment opportunity employee during the second year of employment ~~and~~
8 ~~and~~

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

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

13 (i) Who is hired to replace a laid-off employee or to replace a
14 employee who is on strike; or

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

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

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

23 (i) Voluntarily terminates employment with the employer;

24 (ii) Is unable to continue employment due to death or a disability;
25 or

26 (iii) Is terminated for cause.

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

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

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

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

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

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

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

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

18 (1) MARKETING ACTIVITIES;

19 (2) THE COORDINATION OF INTERAGENCY ACTIVITIES;

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

24 (4) THE NUMBER OF EMPLOYMENT OPPORTUNITY EMPLOYEES;

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

26 AND

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

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

31 (6) THE TOTAL NUMBER AND AMOUNT OF JOB CERTIFICATIONS ISSUED
32 AND CREDITS CLAIMED DURING THE PRECEDING ~~FISCAL~~ YEAR AS WELL AS THE
33 NUMBER AND AMOUNT OF JOB CERTIFICATIONS ISSUED AND CREDITS CLAIMED
34 DURING THE PRECEDING YEAR FOR EMPLOYMENT OPPORTUNITY EMPLOYEES
35 ELIGIBLE FOR THE CREDIT GRANTED UNDER SUBSECTION (C)(2) OF THIS
36 SUBSECTION;

1 (2) § 10-704.3 of this title or § 8-213 of this article for wages paid and
 2 qualified child care OR TRANSPORTATION expenses incurred with respect to qualified
 3 employment opportunity employees; or

4 (3) § 10-704.7 of this title or § 8-216 of this article for wages paid and
 5 qualified child care or transportation expenses incurred with respect to a qualified
 6 employee with a disability.

7 10-704.3.

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

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

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

18 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
 19 July 1, 1995, and shall be applicable to all taxable years beginning after December 31,
 20 1994 but before January 1, [2002] ~~2003~~ 2004; provided, however, that the tax credit
 21 under Article 88A, [§ 56] § 54 of the Code, as enacted under Section 1 of this Act,
 22 shall be allowed only for employees hired on or after June 1, 1995 but before July 1,
 23 [1998] 2001; and provided further that any excess credits under Article 88A, [§ 56] §
 24 54 of the Code may be carried forward and, subject to the limitations under Article
 25 88A, [§ 56] § 54 of the Code, may be applied as a credit for taxable years beginning on
 26 or after January 1, [2002] ~~2003~~ 2004. Except as otherwise provided in this Section,
 27 this Act shall remain in effect for a period of [3] 6 years and at the end of June 30,
 28 [1998] 2001, with no further action required by the General Assembly, this Act shall
 29 be abrogated and of no further force and effect.

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

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

33 (a) this Act shall be applicable to all taxable years beginning after December
 34 31, 1995, but before January 1, [2002] ~~2003~~ 2004;

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

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

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

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

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

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

19 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
20 June 1, 1998 and shall be applicable with respect to all employees hired after June 1,
21 1998.