

SENATE BILL 452

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Q3

1998 Regular Session
(8lr1796)

ENROLLED BILL

-- Budget and Taxation/Ways and Means --

Introduced by **Senators Boozer, Kelley, Middleton, Van Hollen, McCabe,
Currie, Munson, Ruben, Sfikas, and McFadden**

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.

President.

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)

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

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

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

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

15 **Article - Tax - General**

16 10-704.3.

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

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

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

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

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

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

31 (2) IF THE CREDIT ALLOWED UNDER THIS SUBSECTION IN ANY TAXABLE
32 YEAR EXCEEDS THE SUM OF THE STATE INCOME TAX OTHERWISE PAYABLE BY THE
33 ORGANIZATION FOR THAT TAXABLE YEAR AND THE TAXES THAT THE ORGANIZATION
34 HAS WITHHELD FROM THE WAGES OF EMPLOYEES AND IS REQUIRED TO PAY TO THE
35 COMPTROLLER UNDER § 10-906(A) OF THIS TITLE FOR THE TAXABLE YEAR, THE
36 ORGANIZATION MAY APPLY THE EXCESS AS A CREDIT UNDER PARAGRAPH (1)(I) OR (II)

1 OF THIS SUBSECTION IN SUCCEEDING TAXABLE YEARS FOR THE CARRY FORWARD
2 PERIOD PROVIDED IN ARTICLE 88A, § 54 OF THE CODE.

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

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

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

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

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

18 **Chapter 626 of the Acts of 1996**

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

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

28 **Article - Tax - General**

29 10-704.7.

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

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

33 (2) (i) child care provided or paid for by a business entity for the
34 children of a qualified employee with a disability as provided under § 21-309 of the
35 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 CARRY FORWARD
 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.

