

SENATE BILL 509

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HB 1181/97 - W&M

1998 Regular Session
8r1217
CF HB 6

By: **Senator Fry**

Introduced and read first time: February 6, 1998

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Tax Credit for Approved Paid Work-Based Learning Programs for Students**

3 FOR the purpose of authorizing certain persons to establish certain approved paid
4 work-based learning programs under which arrangements are made between
5 schools and employers to provide students certain structured
6 employer-supervised learning; allowing a credit against the State income tax,
7 financial institution franchise tax, public service company franchise tax, and
8 insurance premiums tax for wages paid to each student under an approved paid
9 work-based learning program; providing for calculation of the credit; providing
10 for the carrying forward of the credit if the credit exceeds the total tax otherwise
11 payable for a taxable year; providing for the termination of the credit after a
12 certain taxable year; requiring a certain study be done and provided to certain
13 committees of the General Assembly on or before a certain date; providing for
14 the application of this Act; providing for the abrogation of this Act; and generally
15 relating to the establishment of approved paid work-based learning programs
16 and a credit against the State income tax, financial institution franchise tax,
17 public service company franchise tax, and insurance premiums tax for certain
18 wages paid to each student pursuant to an approved paid work-based learning
19 program.

20 BY adding to
21 Article - Education
22 Section 21-501 to be under the new subtitle "Subtitle 5. Approved Paid
23 Work-Based Learning Programs"
24 Annotated Code of Maryland
25 (1997 Replacement Volume and 1997 Supplement)

26 BY adding to
27 Article - Tax - General
28 Section 8-218, 8-415, and 10-709
29 Annotated Code of Maryland
30 (1997 Replacement Volume)

31 BY adding to

1 Article - Insurance
2 Section 6-117
3 Annotated Code of Maryland
4 (1997 Volume)

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

7 **Article - Education**

8 SUBTITLE 5. APPROVED PAID WORK-BASED LEARNING PROGRAMS.
9 21-501.

10 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
11 INDICATED.

12 (2) "ELIGIBLE PARTY" MEANS:

13 (I) AN EMPLOYER;

14 (II) A GROUP OF EMPLOYERS;

15 (III) AN INDUSTRY TRADE ASSOCIATION;

16 (IV) A LABOR ORGANIZATION;

17 (V) AN OPERATOR OF A REGISTERED APPRENTICESHIP PROGRAM;

18 OR

19 (VI) ANY OTHER ENTITY THAT THE DEPARTMENT APPROVES TO
20 ESTABLISH A PAID WORK-BASED LEARNING PROGRAM UNDER THIS SECTION.

21 (3) "STUDENT" MEANS AN INDIVIDUAL WHO:

22 (I) 1. IS AT LEAST 16 YEARS OLD BUT YOUNGER THAN THE AGE
23 OF 23 YEARS; OR

24 2. REACHES THE AGE OF 23 YEARS WHILE PARTICIPATING IN
25 AN APPROVED PAID WORK-BASED LEARNING PROGRAM UNDER THIS SECTION; AND

26 (II) IS ENROLLED IN A PUBLIC OR PRIVATE SECONDARY OR
27 POSTSECONDARY SCHOOL IN THE STATE.

28 (4) "MULTICRAFT CONSTRUCTION SITE" MEANS A CONSTRUCTION SITE
29 WHERE MORE THAN ONE CONSTRUCTION TRADE OPERATION IS TAKING PLACE AT
30 THE SAME TIME.

31 (B) (1) SUBJECT TO THE LIMITATION IN PARAGRAPH (2) OF THIS
32 SUBSECTION, AN ELIGIBLE PARTY MAY ESTABLISH A PAID WORK-BASED LEARNING

1 PROGRAM FOR STUDENTS THAT IS CONSISTENT WITH CURRENT STATE AND
2 FEDERAL EMPLOYMENT OF MINORS LAWS AND APPROVED BY THE DEPARTMENT AS
3 PROVIDED UNDER THIS SECTION.

4 (2) THE DEPARTMENT MAY NOT APPROVE A PAID WORK-BASED
5 LEARNING PROGRAM FOR STUDENTS THAT INCLUDES A MULTICRAFT
6 CONSTRUCTION SITE.

7 (3) A WORK-BASED LEARNING PROGRAM SHALL PROVIDE FOR
8 APPROVED PAID WORK-BASED LEARNING ARRANGEMENTS BETWEEN EMPLOYERS
9 AND SCHOOLS TO PROVIDE STUDENTS WITH STRUCTURED EMPLOYER-SUPERVISED
10 LEARNING THAT:

11 (I) OCCURS IN THE WORKPLACE;

12 (II) INTEGRATES WITH CLASSROOM INSTRUCTION TO RESULT IN
13 THE ACQUISITION OF AT LEAST ONE UNIT OF ACADEMIC CREDIT; AND

14 (III) LINKS TO EACH STUDENT'S CAREER INTEREST.

15 (4) AN APPROVED PAID WORK-BASED LEARNING PROGRAM FOR
16 STUDENTS SHALL BE SET FORTH IN WRITING AND SHALL INCLUDE:

17 (I) A DESCRIPTION OF THE KNOWLEDGE AND SKILLS TO BE
18 DEVELOPED;

19 (II) A DESCRIPTION OF THE METHODOLOGY TO BE USED;

20 (III) A DESCRIPTION OF THE CRITERIA FOR MONITORING,
21 ASSESSING, AND CREDENTIALING; AND

22 (IV) EVIDENCE OF APPROVAL BY APPROPRIATE SCHOOL
23 PERSONNEL.

24 (5) THE PROGRAM SHALL PROVIDE APPROVED PAID WORK-BASED
25 LEARNING EXPERIENCES FOR STUDENTS THAT ARE CONSISTENT WITH THE
26 STRATEGIC ECONOMIC DEVELOPMENT GOALS ESTABLISHED FOR THE STATE.

27 (C) (1) IN ORDER FOR AN EMPLOYER TO BE ELIGIBLE TO CLAIM A TAX
28 CREDIT, EACH STUDENT MUST BE EMPLOYED BY THE EMPLOYER FOR 200 HOURS OR
29 MORE.

30 (2) AN EMPLOYER MAY CLAIM A TAX CREDIT IN AN AMOUNT EQUAL TO
31 15% OF THE WAGES PAID TO EACH STUDENT DURING THE TAXABLE YEAR UNDER A
32 WORK-BASED LEARNING PROGRAM THAT HAS BEEN APPROVED BY THE
33 DEPARTMENT AS QUALIFYING FOR THE TAX CREDIT UNDER THIS SECTION.

34 (3) THE CUMULATIVE CREDIT ALLOWED UNDER THIS SECTION TO AN
35 EMPLOYER IN THE CURRENT TAXABLE YEAR AND ALL PREVIOUS TAXABLE YEARS
36 MAY NOT EXCEED \$1,500 PER STUDENT.

1 (4) IF THE CREDIT ALLOWED UNDER THIS SUBSECTION IN ANY TAXABLE
2 YEAR EXCEEDS THE TOTAL TAX OTHERWISE PAYABLE BY THE EMPLOYER FOR THAT
3 TAXABLE YEAR, THE EXCESS MAY BE CARRIED FORWARD AND APPLIED AS A CREDIT
4 FOR SUCCEEDING TAXABLE YEARS UNTIL THE EARLIER OF:

5 (I) THE FULL AMOUNT OF EXCESS IS USED; OR

6 (II) THE EXPIRATION OF THE 5TH TAXABLE YEAR IN WHICH THE
7 CONTRIBUTION WAS MADE.

8 (D) THE TAX CREDIT AUTHORIZED UNDER THIS SECTION SHALL BE ALLOWED
9 ONLY FOR TAXABLE YEARS BEGINNING ON OR BEFORE DECEMBER 31, 2000.

10 (E) (1) THE DEPARTMENT SHALL ADOPT REGULATIONS TO IMPLEMENT
11 THIS SECTION.

12 (2) (I) THE REGULATIONS ADOPTED UNDER THIS SUBSECTION SHALL
13 INCLUDE A PROCESS FOR APPROVAL OF PAID WORK-BASED LEARNING PROGRAMS
14 AS QUALIFYING FOR THE TAX CREDIT UNDER THIS SECTION.

15 (II) THE NUMBER OF ELIGIBLE PAID WORK-BASED LEARNING
16 PROGRAM STUDENTS APPROVED BY THE DEPARTMENT MAY NOT EXCEED 1,000 FOR
17 EACH TAXABLE YEAR.

18 (3) THE REGULATIONS ADOPTED UNDER THIS SUBSECTION SHALL
19 INCLUDE A PROCESS FOR CERTIFYING EMPLOYERS' ELIGIBILITY FOR THE TAX
20 CREDIT UNDER THIS SECTION.

21 (4) THE DEPARTMENT MAY DELEGATE THE APPROVAL AUTHORITY FOR
22 PROGRAMS UNDER THIS SECTION TO ONE OR MORE PRIVATE INDUSTRY COUNCILS.

23 **Article - Tax - General**

24 8-218.

25 A FINANCIAL INSTITUTION MAY CLAIM A CREDIT AGAINST THE FINANCIAL
26 INSTITUTION FRANCHISE TAX FOR WAGES PAID TO EACH STUDENT UNDER AN
27 APPROVED PAID WORK-BASED LEARNING PROGRAM AS PROVIDED UNDER § 21-501
28 OF THE EDUCATION ARTICLE.

29 8-415.

30 A PUBLIC SERVICE COMPANY MAY CLAIM A CREDIT AGAINST THE PUBLIC
31 SERVICE COMPANY FRANCHISE TAX FOR WAGES PAID TO EACH STUDENT UNDER AN
32 APPROVED PAID WORK-BASED LEARNING PROGRAM AS PROVIDED UNDER § 21-501
33 OF THE EDUCATION ARTICLE.

1 10-709.

2 AN INDIVIDUAL OR CORPORATION MAY CLAIM A CREDIT AGAINST THE STATE
3 INCOME TAX FOR WAGES PAID TO EACH STUDENT UNDER AN APPROVED PAID
4 WORK-BASED LEARNING PROGRAM AS PROVIDED UNDER § 21-501 OF THE
5 EDUCATION ARTICLE.

6

Article - Insurance

7 6-117.

8 AN INSURANCE COMPANY MAY CLAIM A CREDIT AGAINST THE PREMIUM TAX
9 FOR WAGES PAID TO EACH STUDENT UNDER AN APPROVED PAID WORK-BASED
10 LEARNING PROGRAM AS PROVIDED UNDER § 21-501 OF THE EDUCATION ARTICLE.

11 SECTION 2. AND BE IT FURTHER ENACTED, That the State Department
12 of Education shall evaluate the effectiveness of the tax credit provided under this Act.
13 The Department shall include in this study the number of businesses qualifying for
14 the tax credits and the amount of credits granted. The Department shall report its
15 findings to the Senate Budget and Taxation Committee and the House Committee on
16 Ways and Means on or before November 1, 2000.

17 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall remain
18 effective for a period of 2 years and 9 months and, at the end of June 30, 2001, with no
19 further action required by the General Assembly, this Act shall be abrogated and of no
20 further force and effect.

21 SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take
22 effect October 1, 1998 and shall be applicable to all taxable years beginning after
23 December 31, 1998.