

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 537 (Senator Hoffman. *et al.*)

Budget and Taxation

Tax Credits - Employment of Individuals with Disabilities

This amended bill extends the sunset date for the tax credit for employment of individuals with disabilities from December 31, 2000 to December 31, 2002. The credit is available for qualified employees hired before January 1, 2003, rather than before January 1, 2001, and the Department of Legislative Services is required to report on the efficacy and effectiveness of the credit by December 1, 2001, rather than December 1, 1999.

The Department of Education is required to report to the Governor and the General Assembly annually by January 15. Among other items of interest, the report is to include information on marketing activities for the credit, as well as the number of businesses hiring qualified employees, the number of employees hired, a summary of the average hourly wages, and the number and amount of employment credits, child care credits, and transportation credits claimed.

This bill is effective July 1, 1998.

Fiscal Summary

State Effect: General fund revenues and expenditures will be maintained through at least FY 2003.

Local Effect: Revenues will be maintained. Expenditures would not be affected.

Small Business Effect: Meaningful.

Fiscal Analysis

Background: The tax credit for the employment of individuals with disabilities is 20% of the first \$6,000 of wages paid to an individual with a disability who has been certified by the Division of Rehabilitation Services of the Maryland Department of Education. The wage credit is available for the first two years of employment. A credit for qualified child care or transportation expenses paid by the employer of \$600 for the first year of employment and \$500 for the second is also available. Currently, the credit can be claimed for individuals hired after October 1, 1997, but before January 1, 2001. It is estimated that 1,680 individuals will be certified as eligible for the credit each year. The net effect of the tax credit on State revenues cannot be reliably estimated at this time, as tax year 1998 will be the first full year in which the program is effective.

State Effect: By extending the sunset by two years, the revenue loss occasioned by the tax credits, as well as any revenue increase through individual income tax collections and any expenditure decrease through a reduced need for social services will continue. These amounts cannot be reliably estimated at this time.

The required studies can be handled within existing budgeted resources.

Local Revenues: Local revenues are affected in three ways by this program. Credits claimed on corporate income tax returns will result in a reduction of local government revenues because a portion of corporate income tax revenues are distributed to local governments through the Transportation Trust Fund. Local revenues would increase for every credit claimed on the corporate and individual income tax return because the amount of the credit is required to be added to income. Finally, revenues would increase through the local income tax to the extent that employees hired under this program pay income taxes. These revenue effects will be continued by this bill.

Small Business Effect: This credit reduces labor costs for qualified employees paid the minimum wage by up to 17.5%. Small businesses who hire qualified employees during the period over which this bill is extended could therefore benefit through a reduction of labor costs.

Information Source(s): Department of Education (Division of Rehabilitation Services), Office of the Comptroller (Bureau of Revenue Estimates), Department of Legislative Services

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