

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 509 (Senator Frv. *et al.*)

Budget and Taxation

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

This amended bill creates a tax credit program for worked-based learning programs. The Maryland State Department of Education (MSDE) may approve up to 1,000 student participants each year.

This bill is effective July 1, 1998, and applies to all taxable years beginning after December 31, 1998. The bill sunsets June 30, 2001.

Fiscal Summary

State Effect: Indeterminate decrease in general and special fund revenues beginning in FY 2000. Out-year revenues could decrease if credits are carried over. Expenditures would not be affected.

Local Effect: Local revenues could decline by an indeterminate amount beginning in FY 2000. Expenditures would not be affected.

Small Business Effect: Potential meaningful.

Fiscal Analysis

Bill Summary: This bill allows an employer to receive a tax credit of 15% of an employee's wages if the employer establishes and has approved by the Maryland State Department of Education (MSDE) a structured employer-supervised learning program. The credit is limited to \$1,500 for each employee over the time the student is employed by the same business. The employee must be enrolled in a secondary or postsecondary school in the State, and be between 16 and 23 years old. The program shall provide learning in the workplace which is integrated with classroom instruction and results in academic credit, and the student must

work at least 200 hours. The program is to strive for geographic representation amongst students. MSDE may delegate its authority to approve these programs to one or more private industry councils, and is required to report on the effectiveness of this credit by November 1, 2000, to the Senate Budget and Taxation Committee and the House Committee on Ways and Means.

The credit is allowed for taxable years beginning after December 31, 1998, and before December 31, 2000. The credit may be claimed against the financial institution franchise tax, the public service company franchise tax, individual and corporate income taxes, and the insurance premium tax, and may be carried forward for up to five years.

State Revenues: State revenues would decline by a minimum of \$154,500, and a maximum of \$1,500,000. If the full complement of 1,000 students works only the required 200 hours at minimum wage, total wages paid would be \$1,030,000. The 15% credit would result in a \$154,500 revenue loss. If the full \$1,500 credit is claimed for each of the 1,000 students, the revenue loss would total \$1,500,000.

For those credits claimed against the corporate income tax, 75% of the revenue loss would be from the general fund, and 25% from the Transportation Trust Fund (TTF). The credits claimed against all other taxes would result in general fund losses.

The revenue losses for tax years 1999 and 2000, the only years for which the credit can be claimed, would be realized in fiscal 2000 and 2001, and possibly beyond if the credits are carried forward.

State Expenditures: MSDE is required to adopt regulations to implement this program, including the approval process for youth apprenticeships or other structured employer-supervised learning programs. A minimal amount of expenditures may be incurred, but would be paid for through the National School-to-Work Grant (\$4.2 million will be received in federal fiscal year 1999). The Office of the Comptroller would not incur any expenses to administer this credit.

Local Revenues: Local revenues that result from the distribution of TTF funds would decrease.

Small Business Effect: Small businesses that employ students in qualified programs could receive a tax credit of up to \$1,500 per employee. It is not known at this time how many qualified employers would be considered small businesses.

Information Source(s): Department of Education, Office of the Comptroller (Bureau of Revenue Estimates), Department of Assessments and Taxation, Maryland Insurance Administration, Department of Business and Economic Development, Department of

Legislative Services

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Analysis by: David F. Roose
Reviewed by: John Rixey

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710