
By: **Delegate Franchot**

Introduced and read first time: February 12, 1999

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2

Worker Retraining Tax Credit Act

3 FOR the purpose of allowing certain credits against the State income tax, insurance
4 premiums tax, financial institution franchise tax, and public service company
5 franchise tax for certain business entities that pay or incur certain expenses
6 under approved employer-sponsored training programs; limiting the credit
7 allowed based on the number of qualified employees who successfully complete
8 the approved training program; providing for submission of proposals for
9 employer-sponsored training programs to the Department of Labor, Licensing,
10 and Regulation for approval; limiting the total amount of credits that the
11 Department may approve for any fiscal year; providing for calculation of the
12 credit; requiring the Department to adopt certain regulations; providing for the
13 carryover of unused credit if the credit exceeds the total tax otherwise payable
14 for a taxable year; providing for the application of this Act; and generally
15 relating to a tax credit against the State income tax, financial institution
16 franchise tax, public service company franchise tax, and insurance premiums
17 tax for an approved employer-sponsored training program.

18 BY repealing and reenacting, without amendments,
19 Article - Labor and Employment
20 Section 11-101(b)
21 Annotated Code of Maryland
22 (1991 Volume and 1998 Supplement)

23 BY adding to
24 Article - Labor and Employment
25 Section 11-701 through 11-703 to be under the new subtitle "Subtitle 7.
26 Employer-Sponsored Training Programs for Qualified Employees"
27 Annotated Code of Maryland
28 (1991 Volume and 1998 Supplement)

29 BY adding to
30 Article - Tax - General
31 Section 8-220, 8-417, and 10-712

1 Annotated Code of Maryland
2 (1997 Volume and 1998 Supplement)

3 BY adding to
4 Article - Insurance
5 Section 6-119
6 Annotated Code of Maryland
7 (1997 Volume and 1998 Supplement)

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

10 **Article - Labor and Employment**

11 11-101.

12 (b) "Department" means the Department of Labor, Licensing, and Regulation.

13 SUBTITLE 7. EMPLOYER-SPONSORED TRAINING PROGRAMS FOR QUALIFIED
14 EMPLOYEES.

15 11-701.

16 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS
17 INDICATED.

18 (B) "BUSINESS ENTITY" MEANS:

19 (1) A PERSON CONDUCTING OR OPERATING A TRADE OR BUSINESS IN
20 MARYLAND; OR

21 (2) AN ORGANIZATION OPERATING IN MARYLAND THAT IS EXEMPT
22 FROM TAXATION UNDER § 501(C)(3) OR (4) OF THE INTERNAL REVENUE CODE.

23 (C) "QUALIFIED EMPLOYEE" MEANS:

24 (1) AN INDIVIDUAL TO WHOM THE BUSINESS ENTITY OR ANOTHER
25 EMPLOYER IN THE STATE HAS PAID WAGES DURING THE CURRENT OR IMMEDIATELY
26 PRECEDING TAXABLE YEAR OF THE BUSINESS ENTITY THAT ARE "QUALIFIED
27 WAGES" WITHIN THE MEANING OF § 51 OF THE INTERNAL REVENUE CODE UNDER
28 THE WORK OPPORTUNITY TAX CREDIT OR THE TARGETED JOBS TAX CREDIT;

29 (2) AN INDIVIDUAL TO WHOM THE BUSINESS ENTITY OR ANOTHER
30 EMPLOYER IN THE STATE HAS PAID WAGES DURING THE CURRENT OR IMMEDIATELY
31 PRECEDING TAXABLE YEAR OF THE BUSINESS ENTITY THAT QUALIFY FOR THE
32 MARYLAND EMPLOYMENT OPPORTUNITY CREDIT UNDER ARTICLE 88A, § 54 OF THE
33 CODE; OR

1 (3) AN INDIVIDUAL WHO AT THE TIME THE INDIVIDUAL COMMENCES AN
2 APPROVED EMPLOYER-SPONSORED TRAINING PROGRAM IS A RESIDENT OF THE
3 SILVER SPRING AREA OF MONTGOMERY COUNTY:

4 (D) "QUALIFIED TRAINING EXPENSES" MEANS:

5 (1) THE AMOUNT PAID BY A BUSINESS ENTITY TO A COMMUNITY
6 COLLEGE IN THE STATE FOR TRAINING OF A QUALIFIED EMPLOYEE UNDER AN
7 APPROVED EMPLOYER-SPONSORED TRAINING PROGRAM; AND

8 (2) A BUSINESS ENTITY'S EXPENSES TO PROVIDE ON-THE-JOB
9 TRAINING TO QUALIFIED EMPLOYEES UNDER AN APPROVED
10 EMPLOYER-SPONSORED TRAINING PROGRAM, NOT INCLUDING ANY WAGES PAID TO
11 A QUALIFIED EMPLOYEE RECEIVING THE TRAINING.

12 11-702.

13 (A) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, A BUSINESS ENTITY
14 MAY CLAIM A TAX CREDIT IN AN AMOUNT EQUAL TO 100% OF THE QUALIFIED
15 TRAINING EXPENSES PAID OR INCURRED BY THE BUSINESS ENTITY DURING THE
16 TAXABLE YEAR UNDER AN EMPLOYER-SPONSORED TRAINING PROGRAM THAT HAS
17 BEEN APPROVED BY THE DEPARTMENT AS QUALIFYING FOR THE TAX CREDIT UNDER
18 THIS SECTION.

19 (B) THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT EXCEED \$2,500 FOR
20 EACH QUALIFIED EMPLOYEE WHO:

21 (1) SUCCESSFULLY COMPLETES THE TRAINING PROGRAM; AND

22 (2) AFTER SUCCESSFUL COMPLETION OF THE TRAINING PROGRAM, IS
23 EMPLOYED BY THE BUSINESS ENTITY OR BY ANOTHER EMPLOYER IN THE STATE IN
24 A JOB THAT PAYS AT LEAST 10% MORE THAN THE QUALIFIED EMPLOYEE'S WAGES
25 BEFORE THE TRAINING.

26 (C) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, THE
27 DEPARTMENT IN ITS APPROVAL OF A BUSINESS ENTITY'S EMPLOYER-SPONSORED
28 TRAINING PROGRAM:

29 (I) MAY REDUCE THE PERCENTAGE UNDER SUBSECTION (A) OF
30 THIS SECTION OF THE QUALIFIED TRAINING EXPENSES ON WHICH THE CREDIT IS
31 BASED; AND

32 (II) MAY REDUCE THE MAXIMUM PER EMPLOYEE CREDIT AMOUNT
33 UNDER SUBSECTION (B) OF THIS SECTION.

34 (2) THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT BE LESS
35 THAN THE LESSER OF:

36 (I) 100% OF THE QUALIFIED TRAINING EXPENSES PAID OR
37 INCURRED BY THE BUSINESS ENTITY; OR

1 (II) \$1,000 FOR EACH QUALIFIED EMPLOYEE WHO:

2 1. SUCCESSFULLY COMPLETES THE TRAINING PROGRAM;
3 AND

4 2. AFTER SUCCESSFUL COMPLETION OF THE TRAINING
5 PROGRAM, IS EMPLOYED BY THE BUSINESS ENTITY OR BY ANOTHER EMPLOYER IN
6 THE STATE IN A JOB THAT PAYS AT LEAST 10% MORE THAN THE QUALIFIED
7 EMPLOYEE'S WAGES BEFORE THE TRAINING.

8 (D) THE TOTAL CREDIT ALLOWED UNDER THIS SECTION TO ANY BUSINESS
9 ENTITY MAY NOT EXCEED THE MAXIMUM CREDIT SPECIFIED BY THE DEPARTMENT
10 IN ITS APPROVAL OF THE EMPLOYER-SPONSORED TRAINING PROGRAM.

11 (E) (1) IF THE BUSINESS ENTITY IS SUBJECT TO MORE THAN ONE TAX
12 AGAINST WHICH THE CREDIT ALLOWED UNDER THIS SECTION MAY BE APPLIED, THE
13 SAME CREDIT MAY NOT BE APPLIED MORE THAN ONCE AGAINST DIFFERENT TAXES.

14 (2) IF THE CREDIT ALLOWED UNDER THIS SUBSECTION IN ANY TAXABLE
15 YEAR EXCEEDS THE TOTAL TAX OTHERWISE PAYABLE BY THE EMPLOYER FOR THAT
16 TAXABLE YEAR, A BUSINESS ENTITY MAY APPLY THE EXCESS AS A CREDIT FOR
17 SUCCEEDING TAXABLE YEARS UNTIL THE FULL AMOUNT OF THE EXCESS IS USED,
18 BUT NOT BEYOND THE FIFTH TAXABLE YEAR AFTER THE TAXABLE YEAR IN WHICH
19 THE EXPENSES FOR AN APPROVED EMPLOYER-SPONSORED TRAINING PROGRAM
20 WERE PAID OR INCURRED.

21 11-703.

22 (A) FOR EACH FISCAL YEAR, A BUSINESS ENTITY MAY SUBMIT TO THE
23 DEPARTMENT FOR APPROVAL A PROPOSAL FOR AN EMPLOYER-SPONSORED
24 TRAINING PROGRAM QUALIFYING FOR THE TAX CREDITS ALLOWED UNDER THIS
25 SUBTITLE.

26 (B) A PROPOSAL FOR AN EMPLOYER-SPONSORED TRAINING PROGRAM SHALL
27 BE IN WRITING AND SHALL INCLUDE:

28 (1) A DESCRIPTION OF THE SKILLS THE BUSINESS ENTITY SEEKS TO
29 DEVELOP FOR ITS WORKFORCE THROUGH THE TRAINING PROGRAM AND THE
30 POSITIONS IT SEEKS TO FILL;

31 (2) A DESCRIPTION OF THE PROPOSED TRAINING PROGRAM, INCLUDING
32 WHETHER THE TRAINING WILL BE ACCOMPLISHED BY A COMMUNITY COLLEGE OR
33 THROUGH AN ON-THE-JOB TRAINING PROGRAM;

34 (3) THE ANTICIPATED COSTS OF THE TRAINING PROGRAM;

35 (4) THE NUMBER OF QUALIFIED EMPLOYEES FOR WHOM THE BUSINESS
36 ENTITY SEEKS TAX CREDITS FOR THE TRAINING PROGRAM;

1 (5) THE CRITERIA AND METHODOLOGY FOR MONITORING AND
2 ASSESSING PERFORMANCE UNDER THE PROGRAM; AND

3 (6) ANY OTHER INFORMATION THAT THE DEPARTMENT REQUIRES BY
4 REGULATION.

5 (C) IN APPROVING OR DISAPPROVING AN EMPLOYER-SPONSORED TRAINING
6 PROGRAM UNDER THIS SUBTITLE AND IN DETERMINING THE MAXIMUM AMOUNT OF
7 CREDITS APPROVED FOR EACH APPROVED PROGRAM, THE DEPARTMENT:

8 (1) SHALL CONSIDER:

9 (I) GEOGRAPHIC DISTRIBUTION OF PROJECTS; AND

10 (II) ANY OTHER RELEVANT FACTORS;

11 (2) MAY REQUEST DATA AND ASSISTANCE FROM OTHER UNITS OF THE
12 STATE; AND

13 (3) SHALL APPORTION AMONG THE APPROVED PROGRAMS THE LIMIT
14 IMPOSED UNDER SUBSECTION (F) OF THIS SECTION ON THE TOTAL TAX CREDITS
15 THAT MAY BE APPROVED FOR THE FISCAL YEAR.

16 (D) THE DEPARTMENT SHALL APPROVE OR DISAPPROVE AN APPLICATION
17 WITHIN 60 DAYS AFTER IT RECEIVES A COMPLETED APPLICATION.

18 (E) (1) EACH APPROVAL:

19 (I) SHALL BE IN WRITING;

20 (II) SHALL SPECIFY:

21 1. THE MAXIMUM TOTAL AMOUNT OF TAX CREDITS FOR
22 WHICH THE PROGRAM IS ELIGIBLE;

23 2. THE PERCENTAGE OF EXPENSES ON WHICH THE CREDIT
24 WILL BE BASED FOR THE PROGRAM; AND

25 3. THE MAXIMUM PER EMPLOYEE CREDIT FOR WHICH THE
26 PROGRAM IS ELIGIBLE.

27 (2) EACH DISAPPROVAL SHALL STATE IN DETAIL THE REASONS FOR THE
28 DISAPPROVAL.

29 (F) THE SUM OF THE TAX CREDITS APPROVED FOR ALL
30 EMPLOYER-SPONSORED TRAINING PROGRAMS APPROVED FOR EACH FISCAL YEAR
31 MAY NOT EXCEED \$2,000,000.

32 (G) THE DEPARTMENT SHALL ADOPT REGULATIONS TO CARRY OUT THE
33 PROVISIONS OF THIS SUBTITLE.

1

Article - Tax - General

2 8-220.

3 A FINANCIAL INSTITUTION MAY CLAIM A CREDIT AGAINST THE FINANCIAL
4 INSTITUTION FRANCHISE TAX FOR AN APPROVED EMPLOYER-SPONSORED TRAINING
5 PROGRAM AS PROVIDED UNDER § 11-702 OF THE LABOR AND EMPLOYMENT ARTICLE.

6 8-417.

7 A PUBLIC SERVICE COMPANY MAY CLAIM A CREDIT AGAINST THE PUBLIC
8 SERVICE COMPANY FRANCHISE TAX FOR AN APPROVED EMPLOYER-SPONSORED
9 TRAINING PROGRAM AS PROVIDED UNDER § 11-702 OF THE LABOR AND
10 EMPLOYMENT ARTICLE.

11 10-712.

12 (A) AN INDIVIDUAL OR CORPORATION MAY CLAIM A CREDIT AGAINST THE
13 STATE INCOME TAX FOR AN APPROVED EMPLOYER-SPONSORED TRAINING PROGRAM
14 AS PROVIDED UNDER § 11-702 OF THE LABOR AND EMPLOYMENT ARTICLE.

15 (B) AN ORGANIZATION THAT IS EXEMPT FROM TAXATION UNDER § 501(C)(3) OR
16 (4) OF THE INTERNAL REVENUE CODE MAY APPLY THE CREDIT UNDER THIS SECTION
17 AS A CREDIT AGAINST INCOME TAX DUE ON UNRELATED BUSINESS TAXABLE
18 INCOME AS PROVIDED UNDER §§ 10-304 AND 10-812 OF THIS TITLE.

19

Article - Insurance

20 6-119.

21 AN INSURER MAY CLAIM A CREDIT AGAINST THE PREMIUM TAX FOR AN
22 APPROVED EMPLOYER-SPONSORED TRAINING PROGRAM AS PROVIDED UNDER §
23 11-702 OF THE LABOR AND EMPLOYMENT ARTICLE.

24 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
25 October 1, 1999 and shall be applicable to all taxable years beginning after December
26 31, 1999.