

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE

House Bill 812 (Delegate Barve, *et al.*)

Ways and Means

Information Technology Workforce Training - Income Tax Credit for Individuals and Employers

This bill creates an income tax credit for expenses related to “information technology training.” The credit is available to individuals and corporations and is equal to 50% of the expenses incurred during the year for information technology training, subject to a \$2,500 limit. The credit may be carried forward for ten years after the year in which the expenses were incurred.

The bill takes effect July 1, 1999 and applies to all taxable years beginning after December 31, 1998.

Fiscal Summary

State Effect: General fund revenues could decrease by an estimated \$2.0 million in FY 2000. Future year revenue losses reflect growth in enrollment and tuition costs. No effect on expenditures.

(in millions)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	(\$2.0)	(\$2.8)	(\$2.9)	(\$3.0)	(\$3.1)
GF Expenditures	0	0	0	0	0
Net Effect	(\$2.0)	(\$2.8)	(\$2.9)	(\$3.0)	(\$3.1)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - =indeterminate effect

Local Effect: None.

Small Business Effect: Minimal.

Fiscal Analysis

Bill Summary: The credit against the personal income tax is 50% of qualified expenses, up to \$2,500, for the individual, spouse, or dependent during the taxable year. The individual claiming the credit must commence employment in the State in an occupation directly related to the information technology training within one year of completion of the relevant training and continue employment in the State for at least one year. Otherwise, the credit claimed will be recaptured.

In addition, an employer may claim a credit against the corporate income tax of 50% of the amount paid by the employer for information technology training, not to exceed \$2,500 for each employee.

The Department of Business and Economic Development, in consultation with the Maryland Higher Education Commission, the Governor's Workforce Investment Board, the High Technology Council of Maryland, the Computing Technology Industry Association, and other interested parties, must adopt regulations to administer and implement the tax credit program.

State Effect: General fund revenues are estimated to decrease by \$2.0 million in fiscal 2000. The estimate is based on the following facts and assumptions:

- 233 students graduated from a Maryland community college in 1998 with a certificate in information technology and 908 graduated from a private career school in Maryland.
- The average cost of certificate programs in information technology in a community college in 1998 was \$3,750 and the average cost of a certificate program in a private career school exceeds \$10,000.
- The credit will be claimed on the personal income tax and individuals claiming the credit will have an average tax liability of \$1,700.
- Since 50% of the expenses exceed the tax liability, individuals will claim \$1,700 in the first year; the amount claimed in the second year will be the difference between the cost of the program (but only up to \$2,500) and \$1,700.

The estimate could increase to the extent that this bill results in more individuals enrolling in qualified programs. Conversely, the cost would be lower if fewer programs qualify because of the accreditation requirements and if not all eligible individuals are aware of and claim the credit.

Out-year revenue losses assume 2% growth in enrollment and 8% growth in tuition costs for community college programs (based on tuition growth between 1991 and 1998).

Information Source(s): Maryland Higher Education Commission, Comptroller of the Treasury (Bureau of Revenue Estimates), Department of Legislative Services

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