

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE

Senate Bill 435 (Senator Conway)

Budget and Taxation

Income Tax - Credit for Youth Apprenticeships

This bill creates a refundable income tax credit for 25% of the wages paid to an apprentice hired under a program established by the Better Waverly Community Organization of Baltimore City for underprivileged youths age 16 to 23. Businesses are allowed the credit if they hire the youth apprentice to improve low to moderately valued homes in the community.

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 would decrease by \$59,100 and special fund revenues would decrease by \$19,700 in FY 2000. Future year revenue decreases reflect a full year's revenue loss. No effect on expenditures.

| (in dollars) | FY 2000 | FY 2001 | FY 2002 | FY 2003 | FY 2004 |
|-----------------|------------|-------------|-------------|-------------|-------------|
| GF Revenues | (\$59,100) | (\$118,100) | (\$118,100) | (\$118,100) | (\$118,100) |
| SF Revenues | (\$19,700) | (\$39,400) | (\$39,400) | (\$39,400) | (\$39,400) |
| GF Expenditures | 0 | 0 | 0 | 0 | 0 |
| Net Effect | (\$78,800) | (\$157,500) | (\$157,500) | (\$157,500) | (\$157,500) |

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

Local Effect: Local revenues would decline by about \$5,910 in FY 2000 and \$11,800 annually, beginning in FY 2001. No effect on expenditures.

Small Business Effect: Minimal.

Fiscal Analysis

State Revenues: According to the Better Waverly Community Organization, it is projected that 40-50 apprentices will participate in the program in the first year at an average wage of about \$7.00 per hour. Assuming 45 apprentices working full-time for 50 weeks each year qualify, the annual cost of the credit would be \$157,500. The cost for tax year 1999, however, would be half the annual amount given the July 1, 1999 effective date.

Assuming all the credits are claimed against the corporate income tax, corporate income tax revenues would decrease by \$78,750 in fiscal 2000. Since 25% of corporate tax receipts are distributed to the Transportation Trust Fund (TTF), general fund revenues would decline by an estimated \$59,063 and TTF revenues would decline by an estimated \$19,688 in fiscal 2000. Future year revenue losses reflect a full year's revenue loss: general fund decrease of \$118,125; and special fund decrease of \$39,375 annually, beginning in fiscal 2001.

Local Revenues: Since 30% of the corporate income tax distribution to the TTF is distributed to local governments, revenues for the local jurisdictions will decrease by \$5,910 in fiscal 2000 and \$11,820 annually, beginning in fiscal 2001.

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

Fiscal Note History: First Reader - February 22, 1999

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