SB 613

Department of Legislative Services

Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

Senate Bill 613 (Senators DeGrange and Middleton)
Budget and Taxation Ways and Means

Tax Credit for Employer-Established Paid Work-Based Learning Programs

This bill extends the termination date for the tax credit program for approved work-based learning programs for students to June 30, 2004. The Maryland State Department of Education must evaluate the effectiveness of the tax credit program and report its findings to the Senate Budget and Taxation Committee and the House Ways and Means Committee by November 1, 2003.

The bill is effective June 1, 2001.

Fiscal Summary

State Effect: The tax credit program resulted in a $5,345 decrease in State tax revenues in tax year 1999. Future revenue reductions could be greater. The Maryland State Department of Education could evaluate the tax credit program and report its findings with existing resources.

Local Effect: Local revenues could decrease minimally due to credits claimed on corporate income tax returns. Local governments receive approximately 30% of the 25% of corporate income tax revenues that are distributed to the Transportation Trust Fund.

Small Business Effect: Potential minimal.

Analysis

Current Law: The tax credit for approved work-based learning programs for students terminates June 30, 2001 and may only be applied to tax years 1999 and 2000. The program allows approved employers to claim income tax credits in the amount of 15% of the wages paid to secondary or postsecondary students between 16 and 22 years of age who are participating in work-based learning programs. Up to 1,000 students annually may be approved for participation in the tax credit program.

State Revenues: According to information provided by the Maryland State Department of Education (MSDE), the tax credits taken under this program for the 1999 tax year resulted in a decrease in State tax revenues of $5,345.

Tax credits of up to $1,500 per youth over the life of the program could be taken for up to 1,000 participating youths annually. If the full credit was earned for 1,000 youths, State tax revenues would decrease by $1.5 million annually during the three additional tax years (2001 to 2003) in which the credit could be claimed, affecting State revenues in fiscal 2002 through 2004. Future year revenues could also decrease if credits are carried over beyond fiscal 2004. The actual revenue decrease, however, would be considerably less than the maximum effect.

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.

Local Revenues: Local government revenues could decrease minimally as a result of corporate taxpayers claiming credits under the program during the three-year extension. Seventy-five percent of corporate tax revenues are distributed to the State general fund and 25% are distributed to the TTF. Of the 25% allocated to the TTF, approximately 30% are distributed to local jurisdictions through the highway user formula. If the full tax credit was earned in all three of the eligible tax years and all credits were claimed on corporate income tax returns, local revenues would decrease by approximately $112,500 annually from fiscal 2002 to fiscal 2004. The actual revenue reduction, however, would be much lower.

Small Business Effect: MSDE advises that 11 small businesses received tax credits totaling $5,345 for tax year 1999 under this program. It is not known how many small businesses would continue to apply for and qualify for the tax credit in future years. The fiscal effect, however, is expected to be minimal.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Office of the Comptroller, Maryland State Department of Education, Department of Legislative Services

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