SB 807

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

Senate Bill 807 (Senator McFadden)
Budget and Taxation

Income Tax - Credit for Placement and Retention Fees Paid to Qualified Job Training Programs

This bill allows an individual or corporation to claim a credit against the State income tax for placement and retention fees paid to a "qualified job training program."

The bill takes effect July 1, 2001 and applies to all taxable years beginning after December 31, 2000 and ending before January 1, 2006. The bill sunsets June 30, 2006.

Fiscal Summary

State Effect: Total general fund and Transportation Trust Fund (TTF) revenue decrease of $100,000 in FY 2002 with a maximum total revenue decrease of $1.2 million in the FY 2002-2006 period.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
GF/FF Rev.	($100,000)	($200,000)	($300,000)	($300,000)	($300,000)
Expenditure	$0	$0	$0	$0	$0
Net Effect	($100,000)	($200,000)	($300,000)	($300,000)	($300,000)

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

Local Effect: Local government revenues would decline as a result of corporate taxpayers claiming the credits proposed in the bill. Seventy-five percent of corporate tax revenues is distributed to the general fund and 25% is distributed to the TTF. Of the 25% distributed to the TTF, approximately 30% is distributed to local jurisdictions.

Small Business Effect: Potential meaningful. Small businesses that pay placement and retention fees could realize reduced income tax liabilities.

Analysis

Bill Summary: The amount of the credit is equal to the sum of: (1) placement and retention fees paid to a qualified job training program upon hiring a qualified graduate of the program; and (2) retention fees paid to a qualified job training program for retention of a qualified graduate of the program. The credit allowed may not exceed: (1) $8,000 for placement fees for each qualified graduate in the year hired; and (2) $6,000 for retention fees for each qualified graduate retained as an employee.

The credit is allowed for the dollar amount of certificates issued and provided by the qualified job training program to the business entity, not to exceed 80% of the placement and retention fees paid to the qualified job training program. In order for retention fees to qualify for the credit, the retention fees must be paid in the second and third years after the qualified graduate is hired. A business entity, other than the business entity that originally hired the qualified graduate, may receive a credit for retention fees paid for the qualified graduate.

The total amount of credits under this section is limited to $1.2 million for taxable years 2001 through 2005. The Department of Labor, Licensing, and Regulation (DLLR) may issue no more than the following amount of certificates for taxable years beginning during each calendar year: $100,000 for 2001; $200,000 for 2002; $300,000 for 2003; $300,000 for 2004; and $300,000 for 2005. Unused certificates may be carried over and may be used for a later taxable year, regardless of when they were issued.

DLLR is required to issue certificates to qualified job training programs. The certificates may not exceed the amount applied for and must reflect DLLR's estimate of the qualified job training program's projected fees for placements and retentions of qualified graduates. DLLR is required to issue the certificates in the order in which applications are received until the available authority has been issued.

Each qualified job training program is required to maintain records for each qualified graduate for which the program provides a credit certificate to a business entity. These records must include: (1) information sufficient to verify the eligibility of the qualified graduate; (2) the identity of the business entity employer; (3) a description of the job, including its compensation rate and benefits; and (4) a determination of the amount of placement and retention fees received. Each qualified job training program is required to report to DLLR each year on the qualified job training program's use of the credit. Each report shall include information on: (1) the number of graduates placed; (2) demographic information on the graduates; (3) the types of positions in which each graduate is placed, including compensation information; (4) the tenure of each graduate at the placed position or in other jobs; (5) the amount of business entity employer fees paid to the program; (6) the amount of money raised by the program from other sources; and (7) the types and sizes of employers who have placed and retained graduates.

Current Law: No tax credit program of this type exists.

State Fiscal Effect: Assuming that the maximum amount of credit certificates are issued in calendar 2001 through 2005, combined general fund and TTF revenues would decrease by $100,000 in fiscal 2002. Revenues would decrease by a maximum total of $1.2 million in the fiscal 2002-2006 period.

Credits taken on personal income tax returns would reduce general fund revenues in the amount of the credits. Because 75% of all corporate income tax revenues is distributed to the general fund and 25% is distributed to the TTF, credits taken on corporate income tax returns would reduce general fund revenues by 75% of the amount of the credits taken, and TTF revenues would be reduced by 25% of the credits taken. In addition, 30% of the 25% of revenue distributed to the TTF is distributed to local governments. At this time, the number of credits expected to be claimed on personal or corporate income tax returns cannot be reliably estimated.

Local Fiscal Effect: Local government revenues would decline as a result of corporate taxpayers claiming the credits proposed in the bill. As mentioned above, 75% of corporate tax revenues is distributed to the general fund and 25% is distributed to the TTF. Of the 25% distributed to the TTF, approximately 30% is distributed to local jurisdictions.

Additional Comments: Due to the restrictions on the amount of credit certificates that may be issued, only about 100 people would be able to participate for the life of the program.

Additional Information

Prior Introductions: None.

Cross File: HB 814 (Delegate Marriott) – Ways and Means.

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

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