

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

Senate Bill 330 (Senator Lawlah, *et al.*)
Budget and Taxation

Tax Credit for Approved Work-Based Learning Programs - Extension

This bill extends the sunset date for the tax credit program for approved work-based learning programs for students from June 30, 2004 to June 30, 2010. The bill also requires the Maryland State Department of Education (MSDE) to provide the House Ways and Means Committee and the Senate Budget and Taxation Committee with two reports on the effectiveness of the credit – an interim report by December 31, 2004 and a final report by December 31, 2009.

The bill takes effect June 1, 2003.

Fiscal Summary

State Effect: General fund and Transportation Trust Fund (TTF) revenues would continue to decrease beyond FY 2004 as a result of extending the sunset of the credit.

Local Effect: Local government revenues would continue to decrease beyond FY 2004 as a result of the credit being claimed on corporate tax returns.

Small Business Effect: Minimal.

Analysis

Current Law: The tax credit program for approved work-based learning programs for students sunsets June 30, 2004. MSDE must report to the specified committees by November 1, 2003. The program allows approved employers to claim income tax credits in the amount of 15% of the wages paid to secondary or postsecondary students aged 16

to 22 who are participating in work-based learning programs. Up to 1,000 students annually may be approved for participation in the tax credit program. The cumulative credit may not exceed \$1,500 per person.

State Fiscal Effect: General fund and TTF revenues would continue to decrease beyond fiscal 2004 as a result of extending the sunset of the credit. Because the credit may not exceed the tax liability for the year and may be carried forward for up to five years, the amount of the credit claimed in any given year could be greater than the actual amount taken on returns. It cannot reliably be estimated how many credits may be claimed or taken in any given year.

As a point of reference, in tax year 1999, fewer than three credits were claimed for less than \$600. In tax year 2000, \$25,836 was claimed on 13 returns (\$11,055 in individual returns; \$13,781 on corporate returns). For returns filed to date for tax year 2001, \$21,562 has been claimed on individual returns. No data is yet available for corporate returns for that year. However, if the amount claimed doubles from 2000, then the total credits claimed in 2001, could total approximately \$50,000. This amount, however, could represent the amount claimed and not the amount actually taken. Therefore, the revenue loss for the fiscal year would be some amount less than the \$50,000 that may be claimed.

Credits taken on personal income tax returns by individuals or pass-through entities that file personal income tax returns would continue to decrease general fund revenues by the amount of the credit taken. Because 76% of all corporate income tax revenues are distributed to the general fund, and 24% are distributed to the TTF, credits claimed on corporate returns will decrease general fund revenues by 76% of the amount of the credits taken, and TTF revenues will be decreased by 24% of the credits taken. In addition, 30% of the 24% of revenues distributed to the TTF is distributed to local governments.

Local Fiscal Effect: Local government revenues would continue to decrease beyond fiscal 2004 as a result of the credit being claimed on corporate tax returns. As mentioned above, 76% of corporate tax revenues are distributed to the general fund, and 24% are distributed to the TTF. Of the 24% distributed to the TTF, approximately 30% are distributed to local jurisdictions.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510