
By: **Senators Kramer, DeGrange, and Hughes**
Introduced and read first time: February 4, 2005
Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Credit for Providing Adult Literacy Programs**

3 FOR the purpose of allowing certain business entities a certain credit against the
4 State income tax for certain taxable years for a certain amount of the cost of
5 adult literacy services provided to an employee; limiting to a certain amount the
6 total amount of credits a business entity may claim in any taxable year;
7 providing that the credit may not exceed the State income tax for that taxable
8 year and that any unused credit may not be carried over to any other taxable
9 year; providing for the applicability of the credit; defining certain terms; and
10 generally relating to a tax credit against the State income tax for certain costs
11 associated with adult literacy services.

12 BY adding to
13 Article - Tax - General
14 Section 10-725
15 Annotated Code of Maryland
16 (2004 Replacement Volume)

17 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
18 MARYLAND, That the Laws of Maryland read as follows:

19 **Article - Tax - General**

20 10-725.

21 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
22 INDICATED.

23 (2) "ADULT LITERACY SERVICES" INCLUDES:

24 (I) BASIC SKILLS AND LITERACY INSTRUCTION; AND

25 (II) ENGLISH FOR SPEAKERS OF OTHER LANGUAGES.

26 (3) "BUSINESS ENTITY" MEANS:

1 (I) A PERSON CONDUCTING OR OPERATING A TRADE OR BUSINESS;
2 OR

3 (II) AN ORGANIZATION THAT IS EXEMPT FROM TAXATION UNDER §
4 501(C)(3) OR (4) OF THE INTERNAL REVENUE CODE.

5 (4) "COST OF INSTRUCTION" MEANS THE EXPENDITURES INCURRED BY
6 A BUSINESS ENTITY TO PROVIDE ADULT LITERACY SERVICES TO ITS EMPLOYEES AT
7 THE WORK SITE OR IN AN EDUCATIONAL OR COMMUNITY SETTING.

8 (B) (1) SUBJECT TO SUBSECTION (C) OF THIS SECTION, A BUSINESS ENTITY
9 MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX IN AN AMOUNT EQUAL TO
10 50% OF THE COST OF INSTRUCTION FOR ADULT LITERACY SERVICES PROVIDED
11 DURING THE TAXABLE YEAR.

12 (2) A BUSINESS ENTITY THAT IS EXEMPT FROM TAXATION UNDER §
13 501(C)(3) OR (4) OF THE INTERNAL REVENUE CODE MAY CLAIM THE CREDIT AGAINST
14 THE STATE INCOME TAX DUE ON UNRELATED BUSINESS INCOME AS PROVIDED
15 UNDER §§ 10-304 AND 10-812 OF THIS TITLE.

16 (C) (1) THE CREDIT ALLOWED UNDER THIS SECTION APPLIES TO A TAXABLE
17 YEAR BEGINNING AFTER DECEMBER 31, 2005 BUT BEFORE JANUARY 1, 2009.

18 (2) FOR ANY TAXABLE YEAR, THE COST OF INSTRUCTION FOR A
19 BUSINESS ENTITY MAY NOT EXCEED \$500 TIMES THE NUMBER OF EMPLOYEES
20 RECEIVING ADULT LITERACY SERVICES.

21 (3) FOR ANY TAXABLE YEAR, THE CREDIT ALLOWED UNDER THIS
22 SECTION MAY NOT EXCEED THE LESSER OF:

23 (I) \$50,000; OR

24 (II) THE STATE INCOME TAX IMPOSED FOR THE TAXABLE YEAR.

25 (4) THE UNUSED AMOUNT OF THE CREDIT FOR ANY TAXABLE YEAR MAY
26 NOT BE CARRIED OVER TO ANY OTHER TAXABLE YEAR.

27 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
28 July 1, 2005.