

**Department of Legislative Services**  
 Maryland General Assembly  
 2005 Session

**FISCAL AND POLICY NOTE**

Senate Bill 613 (Senator Lawlah, *et al.*)  
 Budget and Taxation

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

This bill reestablishes the tax credit program for approved work-based learning programs for students. The Maryland State Department of Education (MSDE) 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, 2009.

The bill takes effect July 1, 2005 and applies to tax years 2006 through 2009. The bill terminates June 30, 2010.

**Fiscal Summary**

**State Effect:** General fund revenues could decrease by approximately \$60,800 in FY 2007 through 2010. Transportation Trust Fund (TTF) revenues could decrease by approximately \$19,200 in FY 2007 through 2010. No effect on expenditures.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
GF Revenue	\$0	(\$60,800)	(\$60,800)	(\$60,800)	(\$60,800)
SF Revenue	0	(19,200)	(19,200)	(19,200)	(19,200)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$0	(\$80,000)	(\$80,000)	(\$80,000)	(\$80,000)

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

**Local Effect:** Local government revenues would decrease as a result of tax credit claims against the corporate income tax. Local revenues would decrease by approximately \$5,800 in FY 2007 through 2010. No effect on expenditures.

**Small Business Effect:** Minimal.

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## **Analysis**

**Bill Summary:** The program allows approved employers to claim tax credits in the amount of 15% of the wages paid to secondary or postsecondary students between 16 and 23 years of age who are participating in work-based learning programs. In order to claim the credit, employers must: (1) employ the student for at least 200 hours; (2) provide structured employer-supervised learning that: (a) integrates the student's classroom instruction and provides at least one unit of academic credit; and (b) links each student's career interest. A written approved work-based learning program is required that includes a description of the knowledge and skills to be gained and approval from the student's school.

The total credit claimed per student cannot exceed \$1,500 for all tax years. Any unused amount of the credit can be carried forward for up to five tax years. The credit can be claimed by individuals against the State income tax and by insurers against the premium tax. A maximum of 1,000 students annually may be approved for participation in the tax credit program.

**Current Law:** The tax credit terminated June 30, 2004 and may only be applied to tax years 1999 through 2003.

**Background:** Chapter 660 of 1998 established the tax credit for approved work-based learning programs for students, with a sunset provision of June 30, 2001. Chapter 611 of 2001 extended that sunset until June 30, 2004 and required MSDE to 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. According to the report, since the inception of the tax credit, 40 businesses have participated in the program. A majority of participating students are 18 years old and enrolled in high school. **Exhibit 1** lists the total number of credits and number of students employed through the program from tax year 2000 through 2002.

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**Exhibit 1**  
**Number of Students and Credits Claimed**

<u>Tax Year</u>	<u>Students in the Program</u>	<u>Total Credits Claimed</u>
2000	29	\$34,022
2001	31	37,012
2002	62	70,012

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**State Revenues:** Tax credits could be claimed beginning in tax years 2006 through 2009. As a result, general fund and TTF revenues could decrease by \$80,000 in fiscal 2007 through 2010. This estimate is based on the history of the previous credit program. Given up to 1,000 students are authorized to participate in the program, future revenue losses will be greater to the extent that more students participate in the program.

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**Additional Information**

**Prior Introductions:** HB 218 of 2004, a similar bill, passed the House and Senate but contained different provisions that were not reconciled.

**Cross File:** HB 548 (Delegate Healey, *et al.*) – Ways and Means.

**Information Source(s):** Comptroller’s Office, Department of Legislative Services

**Fiscal Note History:** First Reader - February 24, 2005  
ncs/hlb

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