

SENATE BILL 1033

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By: **Senator Currie**

Constitutional Requirements Complied with for Introduction in the last 35 Days of Session

Introduced and read first time: March 21, 2007

Rules suspended

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Tax Credits for Individuals Facing Employment Barriers – Sunset Extension**

3 FOR the purpose of altering certain termination provisions and dates of applicability
4 for certain tax credits allowed to employers that hire certain qualified
5 employment opportunity employees or certain qualifying individuals with
6 disabilities; repealing certain obsolete provisions of law; recodifying certain
7 provisions relating to certain tax credits allowed to employers that hire certain
8 qualified employment opportunity employees; providing for the termination of
9 certain provisions of this Act; and generally relating to certain tax credits
10 allowed to employers that hire certain qualified employees facing certain
11 employment barriers.

12 BY repealing

13 Article 88A – Department of Human Resources
14 Section 54
15 Annotated Code of Maryland
16 (2003 Replacement Volume and 2006 Supplement)

17 BY repealing

18 Article – Tax – General
19 Section 8–213
20 Annotated Code of Maryland
21 (2004 Replacement Volume and 2006 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



- 1 BY repealing and reenacting, with amendments,
2 Article – Tax – General
3 Section 8–410 and 10–704.3
4 Annotated Code of Maryland
5 (2004 Replacement Volume and 2006 Supplement)
- 6 BY repealing and reenacting, with amendments,
7 Article – Insurance
8 Section 6–105.1
9 Annotated Code of Maryland
10 (2003 Replacement Volume and 2006 Supplement)
- 11 BY repealing and reenacting, with amendments,
12 Chapter 492 of the Acts of the General Assembly of 1995, as amended by
13 Chapter 10 of the Acts of the General Assembly of 1996, Chapters 598
14 and 599 of the Acts of the General Assembly of 1998, Chapter 448 of the
15 Acts of the General Assembly of 2000, Chapter 454 of the Acts of the
16 General Assembly of 2003, and Chapter 394 of the Acts of the General
17 Assembly of 2006
18 Section 3
- 19 BY repealing and reenacting, with amendments,
20 Chapter 112 of the Acts of the General Assembly of 1997, as amended by
21 Chapter 614 of the Acts of the General Assembly of 1998, Chapter 448 of
22 the Acts of the General Assembly of 2000, Chapter 454 of the Acts of the
23 General Assembly of 2003, and Chapter 394 of the Acts of the General
24 Assembly of 2006
25 Section 4 and 6
- 26 BY repealing and reenacting, with amendments,
27 Chapter 113 of the Acts of the General Assembly of 1997, as amended by
28 Chapter 614 of the Acts of the General Assembly of 1998, Chapter 448 of
29 the Acts of the General Assembly of 2000, Chapter 454 of the Acts of the
30 General Assembly of 2003, and Chapter 394 of the Acts of the General
31 Assembly of 2006
32 Section 4 and 6
- 33 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
34 MARYLAND, That Section(s) 54 of Article 88A – Department of Human Resources of
35 the Annotated Code of Maryland be repealed.

1 SECTION 2. AND BE IT FURTHER ENACTED, That Section(s) 8–213 of
2 Article – Tax – General of the Annotated Code of Maryland be repealed.

3 SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland
4 read as follows:

5 **Article – Tax – General**

6 10–704.3.

7 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE
8 MEANINGS INDICATED.

9 (2) “BUSINESS ENTITY” MEANS:

10 (I) A PERSON CONDUCTING OR OPERATING A TRADE OR
11 BUSINESS IN MARYLAND; OR

12 (II) AN ORGANIZATION OPERATING IN MARYLAND THAT IS
13 EXEMPT FROM TAXATION UNDER § 501(C)(3) OR (4) OF THE INTERNAL
14 REVENUE CODE.

15 (3) “QUALIFIED CHILD CARE EXPENSES” MEANS STATE
16 REGULATED CHILD CARE EXPENSES THAT ARE INCURRED BY A BUSINESS
17 ENTITY TO ENABLE A QUALIFIED EMPLOYMENT OPPORTUNITY EMPLOYEE OF
18 THE BUSINESS TO BE GAINFULLY EMPLOYED.

19 (4) (I) “QUALIFIED EMPLOYMENT OPPORTUNITY EMPLOYEE”
20 MEANS AN INDIVIDUAL WHO IS A RESIDENT OF MARYLAND AND WHO FOR ANY 3
21 MONTHS DURING THE 18–MONTH PERIOD BEFORE THE INDIVIDUAL’S
22 EMPLOYMENT WITH A BUSINESS ENTITY WAS A RECIPIENT OF TEMPORARY CASH
23 ASSISTANCE FROM THE STATE UNDER THE AID TO FAMILIES WITH DEPENDENT
24 CHILDREN PROGRAM OR THE FAMILY INVESTMENT PROGRAM AND WHO FOR 6
25 MONTHS BEFORE THE INDIVIDUAL’S EMPLOYMENT WITH A BUSINESS ENTITY
26 WAS A MARYLAND RESIDENT.

27 (II) “QUALIFIED EMPLOYMENT OPPORTUNITY EMPLOYEE”
28 DOES NOT INCLUDE AN INDIVIDUAL WHO IS THE SPOUSE OF, OR HAS ANY OF THE
29 RELATIONSHIPS SPECIFIED IN § 152(A)(1) THROUGH (8) OF THE INTERNAL

1 **REVENUE CODE TO, A PERSON WHO CONTROLS, DIRECTLY OR INDIRECTLY,**
2 **MORE THAN 50% OF THE OWNERSHIP OF THE BUSINESS ENTITY.**

3 **(5) "TRANSPORTATION EXPENSES" MEANS EXPENSES THAT ARE**
4 **INCURRED BY A BUSINESS ENTITY TO ENABLE A QUALIFIED EMPLOYMENT**
5 **OPPORTUNITY EMPLOYEE TO TRAVEL TO AND FROM WORK.**

6 **(6) "WAGES" MEANS WAGES, WITHIN THE MEANING OF § 51(C)(1),**
7 **(2), AND (3) OF THE INTERNAL REVENUE CODE WITHOUT REGARD TO § 51(C)(4)**
8 **OF THE INTERNAL REVENUE CODE, THAT ARE PAID BY A BUSINESS ENTITY TO**
9 **AN EMPLOYEE FOR SERVICES PERFORMED IN A TRADE OR BUSINESS OF THE**
10 **BUSINESS ENTITY.**

11 **(B) (1) EXCEPT AS PROVIDED IN SUBSECTION (E) OF THIS SECTION, A**
12 **BUSINESS ENTITY MAY CLAIM A TAX CREDIT IN THE AMOUNTS DETERMINED**
13 **UNDER SUBSECTIONS (C) AND (D) OF THIS SECTION FOR THE WAGES AND**
14 **QUALIFIED CHILD CARE OR TRANSPORTATION EXPENSES WITH RESPECT TO A**
15 **QUALIFIED EMPLOYMENT OPPORTUNITY EMPLOYEE THAT ARE PAID IN THE**
16 **TAXABLE YEAR FOR WHICH THE BUSINESS ENTITY CLAIMS THE CREDIT.**

17 **(2) THE SAME TAX CREDIT CANNOT BE APPLIED MORE THAN**
18 **ONCE AGAINST DIFFERENT TAXES BY THE SAME TAXPAYER.**

19 **(C) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS**
20 **SUBSECTION, FOR EACH TAXABLE YEAR, FOR THE WAGES PAID TO EACH**
21 **QUALIFIED EMPLOYMENT OPPORTUNITY EMPLOYEE, A CREDIT IS ALLOWED IN**
22 **AN AMOUNT EQUAL TO:**

23 **(I) 30% OF UP TO THE FIRST \$6,000 OF THE WAGES PAID TO**
24 **THE QUALIFIED EMPLOYMENT OPPORTUNITY EMPLOYEE DURING THE FIRST**
25 **YEAR OF EMPLOYMENT; AND**

26 **(II) 20% OF UP TO THE FIRST \$6,000 OF THE WAGES PAID TO**
27 **THE QUALIFIED EMPLOYMENT OPPORTUNITY EMPLOYEE DURING THE SECOND**
28 **YEAR OF EMPLOYMENT.**

29 **(2) IF THE QUALIFIED EMPLOYMENT OPPORTUNITY EMPLOYEE**
30 **HAS BEEN A RECIPIENT OF TEMPORARY CASH ASSISTANCE FROM THE STATE**
31 **UNDER THE AID TO FAMILIES WITH DEPENDENT CHILDREN PROGRAM OR THE**

1 **FAMILY INVESTMENT PROGRAM FOR AT LEAST 18 OF THE LAST 48 MONTHS,**
2 **WHETHER CONSECUTIVE OR NOT CONSECUTIVE, AND HAS BEEN EMPLOYED FOR**
3 **A FULL YEAR BY A BUSINESS ENTITY CLAIMING THE CREDIT, THE CREDIT**
4 **ALLOWED UNDER THIS SECTION IS AN AMOUNT EQUAL TO 40% OF UP TO THE**
5 **FIRST \$10,000 IN WAGES PAID TO THE QUALIFIED EMPLOYMENT OPPORTUNITY**
6 **EMPLOYEE DURING THE FIRST YEAR OF EMPLOYMENT.**

7 **(D) FOR EACH TAXABLE YEAR, FOR CHILD CARE PROVIDED OR PAID**
8 **FOR BY A BUSINESS ENTITY FOR THE CHILDREN OF A QUALIFIED EMPLOYMENT**
9 **OPPORTUNITY EMPLOYEE OF THE BUSINESS ENTITY OR FOR TRANSPORTATION**
10 **EXPENSES, A CREDIT IS ALLOWED IN AN AMOUNT EQUAL TO:**

11 **(1) UP TO \$600 OF THE QUALIFIED CHILD CARE OR**
12 **TRANSPORTATION EXPENSES INCURRED FOR EACH QUALIFIED EMPLOYMENT**
13 **OPPORTUNITY EMPLOYEE DURING THE FIRST YEAR OF EMPLOYMENT; AND**

14 **(2) UP TO \$500 OF THE QUALIFIED CHILD CARE OR**
15 **TRANSPORTATION EXPENSES INCURRED FOR EACH QUALIFIED EMPLOYMENT**
16 **OPPORTUNITY EMPLOYEE DURING THE SECOND YEAR OF EMPLOYMENT.**

17 **(E) (1) A BUSINESS ENTITY MAY NOT CLAIM THE CREDIT UNDER THIS**
18 **SECTION FOR AN EMPLOYEE:**

19 **(I) WHO IS HIRED TO REPLACE A LAID-OFF EMPLOYEE OR**
20 **TO REPLACE AN EMPLOYEE WHO IS ON STRIKE; OR**

21 **(II) FOR WHOM THE BUSINESS ENTITY SIMULTANEOUSLY**
22 **RECEIVES FEDERAL OR STATE EMPLOYMENT TRAINING BENEFITS.**

23 **(2) A BUSINESS ENTITY MAY NOT CLAIM THE CREDIT UNDER THIS**
24 **SECTION UNTIL IT HAS NOTIFIED THE APPROPRIATE GOVERNMENT AGENCY**
25 **THAT THE QUALIFIED EMPLOYMENT OPPORTUNITY EMPLOYEE HAS BEEN**
26 **HIRED.**

27 **(3) A BUSINESS ENTITY MAY CLAIM A CREDIT IN THE AMOUNT**
28 **PROVIDED IN PARAGRAPH (4) OF THIS SUBSECTION FOR AN EMPLOYEE WHOSE**
29 **EMPLOYMENT LASTS LESS THAN 1 YEAR IF THE EMPLOYEE:**

1 (I) VOLUNTARILY TERMINATES EMPLOYMENT WITH THE
2 EMPLOYER;

3 (II) IS UNABLE TO CONTINUE EMPLOYMENT DUE TO DEATH
4 OR A DISABILITY; OR

5 (III) IS TERMINATED FOR CAUSE.

6 (4) (I) IF A BUSINESS ENTITY IS ENTITLED TO A TAX CREDIT
7 UNDER SUBSECTION (C)(1) OF THIS SECTION FOR AN EMPLOYEE WHO IS
8 EMPLOYED FOR LESS THAN 1 YEAR BECAUSE THE EMPLOYEE VOLUNTARILY
9 TERMINATES EMPLOYMENT WITH THE EMPLOYER TO TAKE ANOTHER JOB, THE
10 BUSINESS ENTITY MAY CLAIM A TAX CREDIT OF 30% OF UP TO THE FIRST \$6,000
11 OF THE WAGES PAID TO THE EMPLOYEE DURING THE COURSE OF EMPLOYMENT.

12 (II) IF A BUSINESS ENTITY IS ENTITLED TO A TAX CREDIT
13 UNDER SUBSECTION (C)(1) OF THIS SECTION FOR AN EMPLOYEE WHO IS
14 EMPLOYED FOR LESS THAN 1 YEAR FOR A REASON OTHER THAN THAT
15 DESCRIBED IN SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE AMOUNT OF THE
16 CREDIT SHALL BE REDUCED BY THE PROPORTION OF A YEAR THAT THE
17 EMPLOYEE DID NOT WORK.

18 (F) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE
19 YEAR EXCEEDS THE TOTAL TAX OTHERWISE PAYABLE BY THE BUSINESS ENTITY
20 FOR THAT TAXABLE YEAR, A BUSINESS ENTITY MAY APPLY THE EXCESS AS A
21 CREDIT FOR SUCCEEDING TAXABLE YEARS UNTIL THE EARLIER OF:

22 (1) THE FULL AMOUNT OF THE EXCESS IS USED; OR

23 (2) THE EXPIRATION OF THE FIFTH TAXABLE YEAR AFTER THE
24 TAXABLE YEAR IN WHICH THE WAGES OR QUALIFIED CHILD CARE EXPENSES
25 FOR WHICH THE CREDIT IS CLAIMED ARE PAID.

26 (G) IF A CREDIT IS CLAIMED UNDER THIS SECTION, THE CLAIMANT
27 MUST MAKE THE ADDITION REQUIRED IN § 10-205 OR § 10-306 OF THIS
28 ARTICLE.

1 **(H) THE COMPTROLLER IN COOPERATION WITH THE DEPARTMENT OF**
2 **LABOR, LICENSING, AND REGULATION AND THE DEPARTMENT OF HUMAN**
3 **RESOURCES SHALL ADMINISTER THE CREDIT UNDER THIS SECTION.**

4 **(I) THE DEPARTMENT OF LABOR, LICENSING, AND REGULATION, THE**
5 **DEPARTMENT OF HUMAN RESOURCES, AND THE COMPTROLLER SHALL**
6 **REPORT TO THE GOVERNOR AND, SUBJECT TO § 2-1246 OF THE STATE**
7 **GOVERNMENT ARTICLE, TO THE GENERAL ASSEMBLY BEFORE JANUARY 15 OF**
8 **EACH YEAR ON:**

9 **(1) MARKETING ACTIVITIES;**

10 **(2) THE COORDINATION OF INTERAGENCY ACTIVITIES;**

11 **(3) THE NUMBER OF BUSINESS ENTITIES WHO HIRED**
12 **EMPLOYMENT OPPORTUNITY EMPLOYEES DURING THE PRECEDING YEAR,**
13 **INCLUDING A SEPARATE ACCOUNT OF THE NUMBER OF ORGANIZATIONS THAT**
14 **ARE EXEMPT FROM TAXATION UNDER § 501(C)(3) OR (4) OF THE INTERNAL**
15 **REVENUE CODE;**

16 **(4) THE NUMBER OF EMPLOYMENT OPPORTUNITY EMPLOYEES:**

17 **(I) HIRED IN EACH BUSINESS SECTOR FOR THE PRECEDING**
18 **YEAR; AND**

19 **(II) HIRED DURING THE PRECEDING YEAR AND EMPLOYED**
20 **FOR LESS THAN 1 YEAR;**

21 **(5) A SUMMARY OF THE WAGES PAID TO EMPLOYMENT**
22 **OPPORTUNITY EMPLOYEES FOR THE PRECEDING YEAR;**

23 **(6) THE TOTAL NUMBER AND AMOUNT OF JOB CERTIFICATIONS**
24 **ISSUED AND CREDITS CLAIMED DURING THE PRECEDING YEAR AS WELL AS THE**
25 **NUMBER AND AMOUNT OF JOB CERTIFICATIONS ISSUED AND CREDITS CLAIMED**
26 **DURING THE PRECEDING YEAR FOR EMPLOYMENT OPPORTUNITY EMPLOYEES**
27 **ELIGIBLE FOR THE CREDIT GRANTED UNDER SUBSECTION (C)(2) OF THIS**
28 **SECTION;**

1 **(7) THE NUMBER AND AMOUNT OF CREDITS CLAIMED FOR CHILD**
2 **CARE OR TRANSPORTATION EXPENSES INCURRED, INCLUDING A SUMMARY OF**
3 **THE TYPES OF TRANSPORTATION EXPENSES INCURRED BY BUSINESS ENTITIES;**
4 **AND**

5 **(8) THE NUMBER OF EMPLOYMENT OPPORTUNITY EMPLOYEES**
6 **EMPLOYED FOR:**

7 **(I) MORE THAN 1 YEAR BUT LESS THAN 2 YEARS;**

8 **(II) MORE THAN 2 YEARS BUT LESS THAN 3 YEARS; AND**

9 **(III) 3 YEARS OR MORE.**

10 **[(a)] (J)** An individual or a corporation may claim a credit against the
11 income tax for wages paid to qualified employment opportunity employees and for
12 child care provided or paid for by a business entity for the children of a qualified
13 employment opportunity employee or transportation expenses as provided under
14 **[Article 88A, § 54 of the Code] SUBSECTIONS (A) THROUGH (H) OF THIS SECTION.**

15 **[(b)] (K)** (1) An organization that is exempt from taxation under §
16 501(c)(3) or (4) of the Internal Revenue Code may apply the credit under this section:

17 (i) as a credit against income tax due on unrelated business
18 taxable income as provided under §§ 10–304 and 10–812 of this title; or

19 (ii) as a credit for the payment to the Comptroller of taxes that
20 the organization:

21 1. is required to withhold from the wages of employees
22 under § 10–908 of this title; and

23 2. is required to pay to the Comptroller under
24 § 10–906(a) of this title.

25 (2) If the credit allowed under this subsection in any taxable year
26 exceeds the sum of the State income tax otherwise payable by the organization for that
27 taxable year and the taxes that the organization has withheld from the wages of
28 employees and is required to pay to the Comptroller under § 10–906(a) of this title for
29 the taxable year, the organization may apply the excess as a credit under paragraph

1 (1)(i) or (ii) of this subsection in succeeding taxable years for the carryforward period
2 provided in [Article 88A, § 54 of the Code] **SUBSECTION (F) OF THIS SECTION.**

3 (3) The Comptroller shall adopt regulations to provide procedures for
4 claiming and applying credits authorized under paragraph (1)(ii) of this subsection.

5 SECTION 4. AND BE IT FURTHER ENACTED, That the Laws of Maryland
6 read as follows:

7 **Article - Insurance**

8 6-105.1.

9 An insurer may claim a credit against the premium tax payable under this
10 subtitle for wages paid to a qualified employment opportunity employee and for child
11 care provided or paid by the insurer for the children of a qualified employment
12 opportunity employee or transportation expenses as provided under [Article 88A, § 54
13 of the Code] **§ 10-704.3 OF THE TAX - GENERAL ARTICLE.**

14 **Article - Tax - General**

15 8-410.

16 A public service company may claim a credit against the public service company
17 franchise tax for wages paid to qualified employment opportunity employees and for
18 child care provided or paid for by a business entity for the children of a qualified
19 employment opportunity employee or transportation expenses as provided under
20 [Article 88A, § 54 of the Code] **§ 10-704.3 OF THE THIS ARTICLE.**

21 **Chapter 492 of the Acts of 1995, as amended by Chapter 10 of the Acts of 1996,**
22 **Chapters 598 and 599 of the Acts of 1998, Chapter 448 of the Acts of 2000,**
23 **Chapter 454 of the Acts of 2003, and Chapter 394 of the Acts of 2006**

24 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
25 July 1, 1995, and shall be applicable to all taxable years beginning after December 31,
26 1994 but before January 1, [2010] **2011**; provided, however, that the tax credit under
27 [Article 88A, § 54 of the Code] **§ 10-704.3 OF THE TAX - GENERAL ARTICLE**, as
28 enacted under Section 1 of this Act, shall be allowed only for employees hired on or
29 after June 1, 1995 but before July 1, [2007] **2008**; and provided further that any
30 excess credits under [Article 88A, § 54 of the Code] **§ 10-704.3 OF THE TAX -**
31 **GENERAL ARTICLE** may be carried forward and, subject to the limitations under
32 [Article 88A, § 54 of the Code] **§ 10-704.3 OF THE TAX - GENERAL ARTICLE**, may

1 be applied as a credit for taxable years beginning on or after January 1, [2010] **2011**.
2 Except as otherwise provided in this Section, this Act shall remain in effect for a
3 period of [12] **13** years and at the end of June 30, [2007] **2008**, with no further action
4 required by the General Assembly, this Act shall be abrogated and of no further force
5 and effect.

6 **Chapter 112 of the Acts of 1997, as amended by Chapter 614 of the Acts of**
7 **1998, Chapter 448 of the Acts of 2000, Chapter 454 of the Acts of 2003, and**
8 **Chapter 394 of the Acts of 2006**

9 SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall be
10 applicable to all taxable years beginning after December 31, 1996 but before January
11 1, [2010] **2011**; provided, however, that the tax credit under § 21-309 of the
12 Education Article, as enacted under Section 1 of this Act, shall be allowed only for
13 employees hired on or after October 1, 1997 but before July 1, [2007] **2008**; and
14 provided further that any excess credits under § 21-309 of the Education Article may
15 be carried forward and, subject to the limitations under § 21-309 of the Education
16 Article, may be applied as a credit for taxable years beginning on or after January 1,
17 [2010] **2011**.

18 SECTION 6. AND BE IT FURTHER ENACTED, That, subject to the provisions
19 of Section 4 of this Act, this Act shall take effect October 1, 1997. It shall remain in
20 effect for a period of [9] **10** years and 9 months and at the end of June 30, [2007]
21 **2008**, with no further action required by the General Assembly, this Act shall be
22 abrogated and of no further force and effect.

23 **Chapter 113 of the Acts of 1997, as amended by Chapter 614 of the Acts of**
24 **1998, Chapter 448 of the Acts of 2000, Chapter 454 of the Acts of 2003, and**
25 **Chapter 394 of the Acts of 2006**

26 SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall be
27 applicable to all taxable years beginning after December 31, 1996 but before January
28 1, [2010] **2011**; provided, however, that the tax credit under § 21-309 of the
29 Education Article, as enacted under Section 1 of this Act, shall be allowed only for
30 employees hired on or after October 1, 1997 but before July 1, [2007] **2008**; and
31 provided further that any excess credits under § 21-309 of the Education Article may
32 be carried forward and, subject to the limitations under § 21-309 of the Education
33 Article, may be applied as a credit for taxable years beginning on or after January 1,
34 [2010] **2011**.

35 SECTION 6. AND BE IT FURTHER ENACTED, That, subject to the provisions
36 of Section 4 of this Act, this Act shall take effect October 1, 1997. It shall remain in

1 effect for a period of [9] **10** years and 9 months and at the end of June 30, [2007]
2 **2008**, with no further action required by the General Assembly, this Act shall be
3 abrogated and of no further force and effect.

4 SECTION 5. AND BE IT FURTHER ENACTED, That this Act shall take effect
5 July 1, 2007. Section 3 of this Act shall remain effective until the taking effect of the
6 termination provision in Section 3 of Chapter 492 of the Acts of the General Assembly
7 of 1995. If that termination provision takes effect, Section 3 of this Act shall be
8 abrogated and of no further force and effect.