

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE

House Bill 1207 (Delegate Haynes)
 Ways and Means

Income Tax Credit - Flexible Workweek

This bill creates a tax credit against the State income tax for employers who provide flexible workweeks. The amount of the credit may not exceed the lesser of \$100 for each participating employee or \$5,000.

The bill takes effect July 1, 2009, and applies to tax year 2009 and beyond.

Fiscal Summary

State Effect: General fund revenues decrease by \$7.2 million in FY 2010 due to credits claimed against the personal and corporate income tax. Transportation Trust Fund (TTF) revenues decrease by \$0.8 million in FY 2010 due to credits claimed against the corporate income tax. General fund expenditures increase by \$37,400 in FY 2010 which reflects one-time tax form changes and computer reprogramming expenditures at the Comptroller’s Office.

(\$ in millions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
GF Revenue	(\$7.24)	(\$7.31)	(\$7.38)	(\$7.46)	(\$7.53)
SF Revenue	(\$.82)	(\$.83)	(\$.84)	(\$.85)	(\$.85)
GF Expenditure	\$.04	\$0	\$0	\$0	\$0
Net Effect	(\$8.10)	(\$8.14)	(\$8.22)	(\$8.30)	(\$8.39)

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

Local Effect: Local highway user revenues decrease by \$246,200 in FY 2010 and by \$256,200 in FY 2014. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill creates a tax credit against the State income tax for an employer who offers a flexible workweek to its employees. If one-third of the full-time employees of the business in the State work a flexible workweek, the business can claim a credit equal to the wages paid for eight hours of work for each participating employee for each week the employee works a flexible workweek. The value of the credit may not exceed the lesser of \$100 for each participating employee or \$5,000. In order to be eligible, an employee must work either four 10-hour days per week or nine 9-hour days every two weeks for at least three months during the taxable year.

Current Law: No similar State income tax credit exists, but businesses can deduct expenses associated with providing a flexible workweek, which typically results in a lower federal and State income tax liability.

Background: According to the Bureau of Labor Statistics, 7% of private industry employees in the mid-Atlantic region and 5% in the South Atlantic region have the option of working a flexible workweek. Larger employers are twice as likely to offer a flexible workweek as employers with less than 100 employees.

State Revenues: Tax credits may be claimed beginning in tax year 2009. As a result, general fund revenues may decrease by \$7.2 million in fiscal 2010. TTF revenues may decrease by \$820,500 in fiscal 2010. This estimate is based on the projected number of employers who currently offer flexible workweeks and the following facts and assumptions:

- approximately 7% to 8% of private industry employees work a flexible workweek;
- an estimated 150,000 businesses file under the corporate or personal income tax;
- three-fourths of businesses that offer flexible workweeks meet the requirements of the bill;
- based on the data from the Economic Census, an average credit of \$930 is claimed;
- one-half of credits are claimed against the corporate income tax; and
- the number of credits increases 1% annually.

State Expenditures: The Comptroller's Office reports that it will incur a one-time expenditure increase of \$37,400 in fiscal 2010 to include the tax credit on the income tax forms. This amount includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

Local Revenues: Local highway user revenues distributed from TTF will decrease as a result of credits claimed against the corporate income tax. Local highway user revenues will decrease by \$246,200 in fiscal 2010 and by \$256,200 in fiscal 2014.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): U.S. Bureau of Labor Statistics, *Employee Benefits in Private Industry*, Comptroller's Office, Department of Legislative Services

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mlm/hlb

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