

**Department of Legislative Services**  
Maryland General Assembly  
2012 Session

**FISCAL AND POLICY NOTE**

House Bill 969  
Ways and Means

(Delegate Vitale, *et al.*)

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**Income Tax - Credit to Businesses for Employment**

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This bill creates a State income tax credit for an employer that “has experienced a decrease in revenue during the year” and has not terminated any employees. The value of the credit is equal to \$500 for each employee who is not terminated, subject to a maximum amount of \$5,000 for each employer. If the amount of the credit exceeds the tax liability imposed in the taxable year, any unused credit amount may be carried forward until the full amount of the excess is used. The Comptroller’s Office must (1) approve or deny a credit application within 60 days of receiving the application; and (2) adopt regulations to implement the tax credit.

The bill takes effect July 1, 2012, and applies to tax year 2013 and beyond.

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**Fiscal Summary**

**State Effect:** General fund, Transportation Trust Fund (TTF), and Higher Education Investment Fund (HEIF) revenues decrease significantly beginning in FY 2014 due to tax credits claimed against the personal and corporate income tax. General fund expenditures increase by \$84,000 in FY 2014 for one-time tax form changes and computer programming modifications at the Comptroller’s Office.

**Local Effect:** Local highway user revenues will decrease beginning in FY 2014 as a result of credits claimed against the corporate income tax. Expenditures are not affected.

**Small Business Effect:** Minimal.

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## Analysis

**Current Law:** No State tax credit of this type exists.

**State Revenues:** Tax credits may be claimed beginning in tax year 2013. Accordingly, general fund, TTF, and HEIF revenues will decrease significantly beginning in fiscal 2014. However, the amount of the revenue loss cannot be reliably estimated and depends on the number of businesses who claim credits and the amount of credits claimed. **Exhibit 1** shows the annual decrease in State revenues if a certain percentage of Maryland businesses claim the maximum tax credit in each tax year.

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### Exhibit 1 Potential Annual Revenue Decreases (\$ in Millions)

<u>Percent of Businesses</u>	<u>Revenue Loss</u>
1%	\$4.9
5%	24.5
10%	49.1
25%	122.7

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The U.S. Census Bureau estimates that there were 109,087 companies in Maryland in 2009. The estimated revenue decreases shown in Exhibit 1 assume that 90% of these companies file a Maryland income tax return.

**State Expenditures:** The Comptroller's Office reports that it will incur a one-time expenditure increase of \$84,000 in fiscal 2014 to add the tax credit to the personal and corporate 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 will decrease beginning in fiscal 2014 as a result of credits claimed against the corporate income tax.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** U.S. Census Bureau, Comptroller's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - March 4, 2012  
ncs/jrb

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