Department of Legislative Services
2013 Session

FISCAL AND POLICY NOTE

House Bill 1064 (Delegate Haynes, *et al.*)
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 for employees. 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, 2013, and applies to tax year 2013 and beyond.

Fiscal Summary

State Effect: Significant decrease in general fund, Transportation Trust Fund (TTF), and Higher Education Investment Fund (HEIF) revenues beginning in FY 2014 due to tax credits claimed against the personal and corporate income tax. General fund expenditures increase by $104,000 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.

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.

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 by a significant amount beginning in fiscal 2014. However, the amount of the revenue loss cannot be reliably estimated and depends on the number of businesses that claim credits, the number of eligible employees at each business, 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.

Exhibit 1
Potential Annual Revenue Decreases
($ in Millions)

Percent of Businesses	Revenue Loss
1%	$4.9
5%	24.4
10%	48.7

The U.S. Census Bureau estimates that there were 108,246 companies in Maryland in 2010. 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 $104,000 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.

Additional Information

Prior Introductions: HB 1145 of 2012 and HB 1207 of 2009 received hearings in the House Ways and Means Committee, but no further action was taken.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, U.S. Census Bureau, Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - March 6, 2013
ncs/jrb

Analysis by: Heather N. Ruby

Direct Inquiries to:
(410) 946-5510
(301) 970-5510