

HOUSE BILL 510

Q3

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By: **Delegates B. Robinson, Davis, Haynes, C. Howard, Krimm, Lisanti, McCray, Oaks, Platt, Sydnor, Turner, and Vaughn**

Introduced and read first time: February 1, 2016

Assigned to: Economic Matters and Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Program for the Long-Term Employment of Qualified Ex-Felons**

3 FOR the purpose of creating a Program for the Long-Term Employment of Qualified
4 Ex-Felons; requiring the Department of Labor, Licensing, and Regulation to
5 establish the Program in consultation with the Governor's Workforce Investment
6 Board; requiring the Department to purchase certain bonds for a certain number of
7 qualified ex-felons each year and to provide certain bonds to certain one-stop career
8 centers; requiring that the Program be implemented in a certain number of
9 workforce investment areas; requiring a one-stop center that participates in the
10 Program to work with certain entities to encourage referral and participation of
11 qualified ex-felons, to provide certain outreach and education, and to develop a
12 certain evaluation process; requiring a one-stop center to apply to the Department
13 for designation as a Program location; requiring the Department in consultation with
14 the Governor's Workforce Investment Board to designate certain one-stop centers as
15 Program locations and to consider certain information; allowing a credit against the
16 State income tax for certain wages paid by certain business entities with respect to
17 certain ex-felon employees; providing for the calculation and use of the credit;
18 requiring a certain addition modification if a certain credit is claimed; requiring a
19 certain certification prior to claiming the credit; prohibiting an employer from
20 claiming the credit under certain circumstances; providing for the administration of
21 the tax credits; requiring the Department to adopt certain regulations; defining
22 certain terms; providing for the application of this Act; and generally relating to the
23 creation of a Program for the Long-Term Employment of Qualified Ex-Felons.

24 BY repealing

25 Article – Tax – General

26 Section 10-205(b) and 10-306(b)(1)

27 Annotated Code of Maryland

28 (2010 Replacement Volume and 2015 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 BY adding to
2 Article – Labor and Employment
3 Section 11–1301 through 11–1305 to be under the new subtitle “Subtitle 13. Program
4 for the Long–Term Employment of Qualified Ex–Felons”
5 Annotated Code of Maryland
6 (2008 Replacement Volume and 2015 Supplement)

7 BY adding to
8 Article – Tax – General
9 Section 10–205(b), 10–306(b)(1), and 10–704.10
10 Annotated Code of Maryland
11 (2010 Replacement Volume and 2015 Supplement)

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
13 That Section(s) 10–205(b) and 10–306(b)(1) of Article – Tax – General of the Annotated
14 Code of Maryland be repealed.

15 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read
16 as follows:

17 **Article – Labor and Employment**

18 **SUBTITLE 13. PROGRAM FOR THE LONG–TERM EMPLOYMENT OF QUALIFIED**
19 **EX–FELONS.**

20 **11–1301.**

21 **(A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS**
22 **INDICATED.**

23 **(B) “BOARD” MEANS THE GOVERNOR’S WORKFORCE INVESTMENT BOARD**
24 **ESTABLISHED BY THE GOVERNOR UNDER SUBTITLE 5 OF THIS TITLE.**

25 **(C) “BUSINESS ENTITY” MEANS:**

26 **(1) A PERSON CONDUCTING OR OPERATING A TRADE OR BUSINESS IN**
27 **MARYLAND; OR**

28 **(2) AN ORGANIZATION OPERATING IN MARYLAND THAT IS EXEMPT**
29 **FROM TAXATION UNDER § 501(C)(3) OR (4) OF THE INTERNAL REVENUE CODE.**

30 **(D) “FIDELITY BOND” MEANS A BOND PROVIDED TO AN EMPLOYER FOR THE**
31 **BONDING OF EX–OFFENDERS PROVIDED THROUGH THE FEDERAL BONDING**
32 **PROGRAM OR OTHER SIMILAR PROGRAM APPROVED BY THE UNITED STATES**
33 **DEPARTMENT OF LABOR.**

1 (E) "ONE-STOP CENTER" MEANS AN ENTITY DESIGNATED WITHIN A
2 WORKFORCE INVESTMENT AREA THAT PROVIDES EMPLOYMENT TRAINING AND
3 SERVICES UNDER SUBTITLE 5 OF THIS TITLE.

4 (F) "PROGRAM" MEANS THE PROGRAM FOR THE LONG-TERM
5 EMPLOYMENT OF QUALIFIED EX-FELONS ESTABLISHED UNDER THIS SUBTITLE.

6 (G) (1) "QUALIFIED EX-FELON EMPLOYEE" MEANS A QUALIFIED
7 EX-FELON, WITHIN THE MEANING OF § 51(D)(4) OF THE INTERNAL REVENUE CODE,
8 WHO IS EMPLOYED BY A BUSINESS ENTITY THROUGH THE PROGRAM UNDER THIS
9 SUBTITLE.

10 (2) "QUALIFIED EX-FELON EMPLOYEE" DOES NOT INCLUDE AN
11 INDIVIDUAL WHO IS THE SPOUSE OF, OR HAS ANY OF THE RELATIONSHIPS
12 SPECIFIED IN § 152(A)(1) THROUGH (8) OF THE INTERNAL REVENUE CODE TO, A
13 PERSON WHO CONTROLS, DIRECTLY OR INDIRECTLY, MORE THAN 50% OF THE
14 OWNERSHIP OF THE BUSINESS ENTITY.

15 (H) "WAGES" MEANS WAGES WITHIN THE MEANING OF § 51(C)(1), (2), AND
16 (3) OF THE INTERNAL REVENUE CODE WITHOUT REGARD TO § 51(C)(4) OF THE
17 INTERNAL REVENUE CODE THAT ARE PAID BY A BUSINESS ENTITY TO AN EMPLOYEE
18 FOR SERVICES PERFORMED IN A TRADE OR BUSINESS OF THE EMPLOYER.

19 (I) "WORKFORCE INVESTMENT AREA" MEANS A WORKFORCE INVESTMENT
20 AREA DESIGNATED BY THE GOVERNOR UNDER SUBTITLE 5 OF THIS TITLE.

21 11-1302.

22 (A) THERE IS A PROGRAM FOR THE LONG-TERM EMPLOYMENT OF
23 QUALIFIED EX-FELONS TO PROVIDE INCENTIVES TO BUSINESS ENTITIES TO
24 ENCOURAGE THE LONG-TERM EMPLOYMENT OF QUALIFIED EX-FELON EMPLOYEES.

25 (B) (1) ON OR BEFORE JANUARY 1, 2017, THE DEPARTMENT, IN
26 CONSULTATION WITH THE BOARD, SHALL ESTABLISH A PROGRAM FOR THE
27 EMPLOYMENT OF EX-FELONS PROVIDED IN § 11-1303 OF THIS SUBTITLE.

28 (2) THE PROGRAM ESTABLISHED UNDER THIS SUBTITLE SHALL
29 TERMINATE AT THE END OF DECEMBER 31, 2021.

30 (C) THE PURPOSE OF THE PROGRAM IS TO IMPLEMENT A PROGRAM IN AT
31 LEAST TWO AREAS OF THE STATE TO PROVIDE FIDELITY BONDS AND TO QUALIFY

1 BUSINESS ENTITIES FOR TAX CREDITS TO ENCOURAGE THE LONG-TERM
2 EMPLOYMENT OF QUALIFIED EX-FELON EMPLOYEES UNDER THE PROGRAM.

3 (D) THE DEPARTMENT SHALL:

4 (1) PURCHASE THE NECESSARY AMOUNT OF FIDELITY BONDS TO
5 PROVIDE BONDS TO BUSINESS ENTITIES FOR A FULL YEAR OF EMPLOYMENT FOR UP
6 TO 150 QUALIFIED EX-FELONS EACH YEAR; AND

7 (2) PROVIDE THE FIDELITY BONDS PURCHASED EACH YEAR TO THE
8 ONE-STOP CENTERS IN THE WORKFORCE INVESTMENT AREAS DESIGNATED UNDER
9 § 11-1303 OF THIS SUBTITLE.

10 (E) THE PROGRAM SHALL:

11 (1) BE IMPLEMENTED IN ONE-STOP CENTERS IN AT LEAST TWO
12 WORKFORCE INVESTMENT AREAS OF THE STATE AS DESIGNATED BY THE
13 DEPARTMENT IN CONSULTATION WITH THE BOARD UNDER § 11-1303 OF THIS
14 SUBTITLE; AND

15 (2) PROVIDE FIDELITY BONDS TO BUSINESS ENTITIES THROUGH THE
16 ONE-STOP CENTERS IN TWO OR MORE AREAS OF THE STATE AS DESIGNATED UNDER
17 § 11-1303 FOR THE EMPLOYMENT OF UP TO 150 QUALIFIED EX-FELONS EACH YEAR.

18 (F) THE PROGRAM SHALL REQUIRE A ONE-STOP CENTER THAT IS
19 DESIGNATED FOR PARTICIPATION IN THE PROGRAM TO:

20 (1) WORK WITH APPROPRIATE COMMUNITY ORGANIZATIONS AND
21 STATE AND LOCAL GOVERNMENT ENTITIES THAT PROVIDE SERVICES TO QUALIFIED
22 EX-FELONS TO ENCOURAGE THE REFERRAL AND PARTICIPATION OF QUALIFIED
23 EX-FELONS IN THE PROGRAM;

24 (2) PROVIDE OUTREACH AND EDUCATION EFFORTS TO ENCOURAGE
25 BUSINESS ENTITIES TO HIRE QUALIFIED EX-FELONS FOR LONG-TERM
26 EMPLOYMENT UNDER THE PROGRAM;

27 (3) PROVIDE A BUSINESS ENTITY THAT HIRES A QUALIFIED EX-FELON
28 UNDER THE PROGRAM WITH:

29 (I) A FIDELITY BOND FOR THE QUALIFIED EX-FELON THAT
30 COVERS AT LEAST 12 MONTHS OF EMPLOYMENT; AND

1 **(II) INFORMATION ON THE TAX CREDITS AVAILABLE TO A**
2 **BUSINESS ENTITY THAT HIRES A QUALIFIED EX-FELON THROUGH THE PROGRAM;**
3 **AND**

4 **(4) DEVELOP AN EVALUATION PROCESS FOR THE PROGRAM THAT**
5 **INCLUDES A MECHANISM TO EVALUATE WHETHER THE PROGRAM HAS OPERATED**
6 **TO SECURE STABLE EMPLOYMENT FOR QUALIFIED EX-FELONS THAT HAVE**
7 **PARTICIPATED IN THE PROGRAM.**

8 **11-1303.**

9 **(A) A ONE-STOP CENTER SHALL APPLY TO THE DEPARTMENT FOR**
10 **DESIGNATION AS A LOCATION FOR THE PROGRAM.**

11 **(B) THE APPLICATION SHALL DESCRIBE THE PLAN TO BE IMPLEMENTED BY**
12 **THE ONE-STOP CENTER TO ADMINISTER THE REQUIREMENTS OF THE PROGRAM AS**
13 **PROVIDED IN § 11-1302 OF THIS SUBTITLE.**

14 **(C) (1) THE DEPARTMENT, IN CONSULTATION WITH THE BOARD, SHALL**
15 **EVALUATE THE APPLICATIONS SUBMITTED BY ONE-STOP CENTERS AND SHALL**
16 **DESIGNATE ONE-STOP CENTERS IN AT LEAST TWO WORKFORCE INVESTMENT AREAS**
17 **AS PROGRAM LOCATIONS.**

18 **(2) THE DESIGNATION OF ONE-STOP CENTERS UNDER PARAGRAPH**
19 **(1) OF THIS SUBSECTION SHALL INCLUDE A CONSIDERATION OF THE NUMBER OF**
20 **QUALIFIED EX-FELONS RESIDING IN THE WORKFORCE INVESTMENT AREA IN WHICH**
21 **THE ONE-STOP CENTER IS LOCATED.**

22 **11-1304.**

23 **(A) EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION, A BUSINESS**
24 **ENTITY THAT HIRES A QUALIFIED EX-FELON EMPLOYEE THROUGH THE PROGRAM**
25 **ESTABLISHED UNDER THIS SUBTITLE MAY CLAIM A TAX CREDIT IN THE AMOUNTS**
26 **DETERMINED UNDER SUBSECTION (B) OF THIS SECTION FOR WAGES PAID TO A**
27 **QUALIFIED EX-FELON EMPLOYEE.**

28 **(B) FOR EACH TAXABLE YEAR, FOR THE WAGES PAID TO EACH QUALIFIED**
29 **EX-FELON EMPLOYEE, A CREDIT IS ALLOWED IN AN AMOUNT EQUAL TO:**

30 **(1) 30% OF UP TO THE FIRST \$6,000 OF THE WAGES PAID TO THE**
31 **QUALIFIED EX-FELON EMPLOYEE DURING THE FIRST YEAR OF EMPLOYMENT; AND**

1 **(2) 20% OF UP TO THE FIRST \$6,000 OF THE WAGES PAID TO THE**
2 **QUALIFIED EX-FELON EMPLOYEE DURING THE SECOND YEAR OF EMPLOYMENT.**

3 **(C) (1) A BUSINESS ENTITY MAY NOT CLAIM THE CREDIT UNDER THIS**
4 **SECTION FOR AN EMPLOYEE:**

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

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

9 **(2) A BUSINESS ENTITY MAY NOT CLAIM THE CREDIT UNDER THIS**
10 **SECTION UNTIL IT HAS NOTIFIED THE DEPARTMENT THAT A QUALIFIED EX-FELON**
11 **EMPLOYEE HAS BEEN HIRED.**

12 **(3) A BUSINESS ENTITY MAY CLAIM A CREDIT IN THE AMOUNT**
13 **PROVIDED IN PARAGRAPH (5) OF THIS SUBSECTION FOR AN EMPLOYEE WHOSE**
14 **EMPLOYMENT LASTS LESS THAN 1 YEAR IF THE EMPLOYEE:**

15 **(I) VOLUNTARILY TERMINATES EMPLOYMENT WITH THE**
16 **EMPLOYER;**

17 **(II) IS UNABLE TO CONTINUE EMPLOYMENT DUE TO A**
18 **DISABILITY OR DEATH; OR**

19 **(III) IS TERMINATED FOR CAUSE.**

20 **(4) A BUSINESS ENTITY MAY NOT CLAIM THE CREDIT UNDER THIS**
21 **SECTION IF THE BUSINESS ENTITY IS CLAIMING A TAX CREDIT FOR THE SAME**
22 **EMPLOYEE UNDER § 10-704.3 OF THE TAX - GENERAL ARTICLE OR § 21-309 OF THE**
23 **EDUCATION ARTICLE.**

24 **(5) (I) IF A BUSINESS ENTITY IS ENTITLED TO A TAX CREDIT FOR**
25 **AN EMPLOYEE WHO IS EMPLOYED FOR LESS THAN 1 YEAR BECAUSE THE EMPLOYEE**
26 **VOLUNTARILY TERMINATES EMPLOYMENT WITH THE EMPLOYER TO TAKE ANOTHER**
27 **JOB, THE BUSINESS ENTITY MAY CLAIM A TAX CREDIT OF 30% OF UP TO THE FIRST**
28 **\$6,000 OF THE WAGES PAID TO THE EMPLOYEE DURING THE COURSE OF**
29 **EMPLOYMENT.**

30 **(II) IF A BUSINESS ENTITY IS ENTITLED TO A TAX CREDIT FOR**
31 **AN EMPLOYEE WHO IS EMPLOYED FOR LESS THAN 1 YEAR FOR A REASON OTHER**
32 **THAN THAT DESCRIBED IN SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE AMOUNT**

1 OF THE CREDIT SHALL BE REDUCED BY THE PROPORTION OF A YEAR THAT THE
2 EMPLOYEE DID NOT WORK.

3 (D) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE YEAR
4 EXCEEDS THE TOTAL TAX OTHERWISE PAYABLE BY THE BUSINESS ENTITY FOR THAT
5 TAXABLE YEAR, A BUSINESS ENTITY MAY APPLY THE EXCESS AS A CREDIT FOR
6 SUCCEEDING TAXABLE YEARS UNTIL THE EARLIER OF:

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

8 (2) THE EXPIRATION OF THE FIFTH TAXABLE YEAR AFTER THE
9 TAXABLE YEAR IN WHICH THE WAGES FOR WHICH THE CREDIT IS CLAIMED ARE PAID.

10 (E) IF A CREDIT IS CLAIMED UNDER THIS SECTION, THE CLAIMANT MUST
11 MAKE THE ADDITION REQUIRED IN § 10-205 OR § 10-306 OF THE TAX – GENERAL
12 ARTICLE.

13 11-1305.

14 (A) THE DEPARTMENT, IN CONSULTATION WITH THE BOARD, SHALL ADOPT
15 REGULATIONS NECESSARY TO CARRY OUT THE PROVISIONS OF THIS SUBTITLE.

16 (B) THE COMPTROLLER SHALL ADOPT REGULATIONS TO PROVIDE FOR THE
17 COMPUTATION AND CARRYOVER OF THE CREDIT UNDER § 10-704.10 OF THE TAX –
18 GENERAL ARTICLE.

19 Article – Tax – General

20 10-205.

21 (B) THE ADDITION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES THE
22 AMOUNT OF A CREDIT CLAIMED UNDER:

23 (1) § 10-702 OF THIS TITLE FOR WAGES PAID TO AN EMPLOYEE IN AN
24 ENTERPRISE ZONE;

25 (2) § 10-704.3 OF THIS TITLE OR § 8-213 OF THIS ARTICLE FOR
26 WAGES PAID AND QUALIFIED CHILD CARE OR TRANSPORTATION EXPENSES
27 INCURRED WITH RESPECT TO QUALIFIED EMPLOYMENT OPPORTUNITY EMPLOYEES;

28 (3) § 10-704.7 OF THIS TITLE OR § 8-216 OF THIS ARTICLE FOR
29 WAGES PAID AND QUALIFIED CHILD CARE OR TRANSPORTATION EXPENSES
30 INCURRED WITH RESPECT TO A QUALIFIED EMPLOYEE WITH A DISABILITY; AND

1 **(4) § 10-704.10 OF THIS TITLE FOR WAGES PAID TO A QUALIFIED**
2 **EX-FELON EMPLOYEE.**

3 10-306.

4 (b) The addition under subsection (a) of this section includes the additions
5 required for an individual under:

6 **(1) § 10-205(B) OF THIS TITLE (ENTERPRISE ZONE WAGE CREDIT,**
7 **EMPLOYMENT OPPORTUNITY CREDIT, DISABILITY CREDIT, AND QUALIFIED**
8 **EX-FELON EMPLOYEE CREDIT);**

9 **10-704.10.**

10 **(A) AN INDIVIDUAL OR A CORPORATION MAY CLAIM A CREDIT AGAINST THE**
11 **INCOME TAX FOR WAGES PAID TO A QUALIFIED EX-FELON EMPLOYEE AS PROVIDED**
12 **UNDER § 11-1304 OF THE LABOR AND EMPLOYMENT ARTICLE.**

13 **(B) (1) AN ORGANIZATION THAT IS EXEMPT FROM TAXATION UNDER §**
14 **501(C)(3) OR (4) OF THE INTERNAL REVENUE CODE MAY APPLY THE CREDIT UNDER**
15 **THIS SECTION:**

16 **(I) AS A CREDIT AGAINST INCOME TAX DUE ON UNRELATED**
17 **BUSINESS TAXABLE INCOME AS PROVIDED UNDER §§ 10-304 AND 10-812 OF THIS**
18 **TITLE; OR**

19 **(II) AS A CREDIT FOR THE PAYMENT TO THE COMPTROLLER OF**
20 **TAXES THAT THE ORGANIZATION:**

21 **1. IS REQUIRED TO WITHHOLD FROM THE WAGES OF**
22 **EMPLOYEES 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**
26 **TAXABLE YEAR EXCEEDS THE SUM OF THE STATE INCOME TAX OTHERWISE PAYABLE**
27 **BY THE ORGANIZATION FOR THAT TAXABLE YEAR AND THE TAXES THAT THE**
28 **ORGANIZATION HAS WITHHELD FROM THE WAGES OF EMPLOYEES AND IS REQUIRED**
29 **TO PAY TO THE COMPTROLLER UNDER § 10-906(A) OF THIS TITLE FOR THE TAXABLE**
30 **YEAR, THE ORGANIZATION MAY APPLY THE EXCESS AS A CREDIT UNDER PARAGRAPH**
31 **(1)(I) OR (II) OF THIS SUBSECTION IN SUCCEEDING TAXABLE YEARS FOR THE**
32 **CARRYFORWARD PERIOD PROVIDED IN § 11-1304 OF THE LABOR AND**
33 **EMPLOYMENT ARTICLE.**

1 **(3) THE COMPTROLLER SHALL ADOPT REGULATIONS TO PROVIDE**
2 **PROCEDURES FOR CLAIMING AND APPLYING CREDITS AUTHORIZED UNDER**
3 **PARAGRAPH (1)(II) OF THIS SUBSECTION.**

4 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect July
5 1, 2016, and shall be applicable to all taxable years beginning after December 31, 2016.