

SENATE BILL 134

Q3

8lr0121
CF HB 99

By: **The President (By Request – Administration)**

Introduced and read first time: January 11, 2018

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 16, 2018

CHAPTER _____

1 AN ACT concerning

2 **Small Business Relief Tax Credit**

3 FOR the purpose of authorizing a tax credit against the State income tax for certain small
4 businesses that provide certain employer benefits to certain qualified employees;
5 providing for the calculation of the credit; requiring the Department of Commerce,
6 on application of a small business, to issue a tax credit certificate under certain
7 circumstances; requiring the application to contain certain information; requiring
8 the Department to approve applications on a first-come, first-served basis and notify
9 applicants of approval or denial of an application within a certain number of days
10 after receipt of the application; providing that the total amount of tax credit
11 certificates issued by the Department may not exceed a certain amount for each
12 taxable year; requiring the Department to report certain information to the
13 Comptroller on or before a certain date each year; requiring the Department to adopt
14 certain regulations; defining certain terms; providing for the application of this Act;
15 ~~making this Act contingent on the taking effect of another Act;~~ and generally relating
16 to a State income tax credit for businesses that provide employer benefits to qualified
17 employees.

18 BY adding to
19 Article – Tax – General
20 Section 10-746
21 Annotated Code of Maryland
22 (2016 Replacement Volume and 2017 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
2 That the Laws of Maryland read as follows:

3 **Article – Tax – General**

4 **10-746.**

5 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
6 INDICATED.

7 (2) “DEPARTMENT” MEANS THE DEPARTMENT OF COMMERCE.

8 (3) “QUALIFIED EMPLOYEE” MEANS AN INDIVIDUAL WHO:

9 (I) IS EMPLOYED BY A SMALL BUSINESS;

10 (II) EARNS WAGES PAID BY THE SMALL BUSINESS THAT ARE
11 EQUAL TO OR LESS THAN ~~200% OF THE ANNUAL FEDERAL POVERTY GUIDELINES~~
12 ~~FOR A SINGLE PERSON HOUSEHOLD~~ \$30,000 A YEAR; AND

13 (III) EARNS PAID TIME OFF IN ACCORDANCE WITH TITLE 3,
14 SUBTITLE 13 OF THE LABOR AND EMPLOYMENT ARTICLE ~~AND AT LEAST ONE~~
15 ~~ADDITIONAL QUALIFIED EMPLOYER BENEFIT DESCRIBED UNDER PARAGRAPH~~
16 ~~(4)(II) THROUGH (V) OF THIS SUBSECTION.~~

17 (4) “QUALIFIED EMPLOYER BENEFIT” MEANS:

18 (I) PAID TIME OFF PROVIDED IN ACCORDANCE WITH TITLE 3,
19 SUBTITLE 13 OF THE LABOR AND EMPLOYMENT ARTICLE;

20 (II) A QUALIFIED TRANSPORTATION FRINGE, AS DEFINED IN §
21 132(F) OF THE INTERNAL REVENUE CODE;

22 (III) A DEPENDENT CARE ASSISTANCE PROGRAM, AS DESCRIBED
23 IN § 129 OF THE INTERNAL REVENUE CODE;

24 (IV) AN EDUCATIONAL ASSISTANCE PROGRAM, AS DESCRIBED IN
25 § 127 OF THE INTERNAL REVENUE CODE; OR

26 (V) EMPLOYER CONTRIBUTIONS TO HEALTH SAVINGS
27 ACCOUNTS, AS DESCRIBED IN § 106 OF THE INTERNAL REVENUE CODE.

28 (5) “SMALL BUSINESS” MEANS AN INDIVIDUAL, A PARTNERSHIP, A
29 LIMITED PARTNERSHIP, A LIMITED LIABILITY PARTNERSHIP, A LIMITED LIABILITY
30 COMPANY, OR A CORPORATION THAT EMPLOYS FEWER THAN ~~50~~ 25 EMPLOYEES.

1 **(B) A SMALL BUSINESS THAT HIRES A QUALIFIED EMPLOYEE MAY CLAIM A**
2 **CREDIT AGAINST THE STATE INCOME TAX IN THE AMOUNT STATED ON THE TAX**
3 **CREDIT CERTIFICATE ISSUED UNDER SUBSECTION (D) OF THIS SECTION.**

4 **(C) FOR EACH TAXABLE YEAR, THE CREDIT ALLOWED UNDER THIS SECTION**
5 **MAY NOT EXCEED THE LESSER OF:**

6 **(1) AN AMOUNT THAT EQUALS \$1,000 FOR EACH QUALIFIED**
7 **EMPLOYEE; OR**

8 **(2) AN AMOUNT THAT EQUALS THE TOTAL AMOUNT OF QUALIFIED**
9 **EMPLOYER BENEFITS ACCRUED BY ALL QUALIFIED EMPLOYEES OF THE SMALL**
10 **BUSINESS.**

11 **(D) (1) SUBJECT TO THE LIMITATIONS OF THIS SUBSECTION, ON**
12 **APPLICATION BY A SMALL BUSINESS, THE DEPARTMENT SHALL ISSUE A TAX CREDIT**
13 **CERTIFICATE IN THE AMOUNT ALLOWABLE UNDER SUBSECTION (C) OF THIS**
14 **SECTION.**

15 **(2) THE APPLICATION SHALL INCLUDE:**

16 **(I) THE NAME OF THE SMALL BUSINESS;**

17 **(II) PROOF OF THE WAGES PAID TO EACH QUALIFIED**
18 **EMPLOYEE;**

19 **(III) PROOF OF THE TYPE AND VALUE OF BENEFITS ACCRUED TO**
20 **EACH QUALIFIED EMPLOYEE; AND**

21 **(IV) ANY OTHER INFORMATION THAT THE DEPARTMENT**
22 **REQUIRES.**

23 **(3) THE DEPARTMENT SHALL:**

24 **(I) APPROVE ALL APPLICATIONS THAT QUALIFY FOR A TAX**
25 **CREDIT CERTIFICATE UNDER THIS SUBSECTION ON A FIRST-COME, FIRST-SERVED**
26 **BASIS; AND**

27 **(II) NOTIFY THE SMALL BUSINESS WITHIN 45 DAYS AFTER THE**
28 **RECEIPT OF THE APPLICATION OF THE DEPARTMENT'S APPROVAL OR DENIAL OF**
29 **THE APPLICATION.**

1 **(4) THE TOTAL AMOUNT OF CREDIT CERTIFICATES ISSUED BY THE**
 2 **DEPARTMENT UNDER THIS SUBSECTION MAY NOT EXCEED:**

3 **(I) FOR TAXABLE YEAR 2018, \$5,000,000;**

4 **(II) FOR TAXABLE YEAR 2019, \$15,000,000;**

5 **(III) FOR TAXABLE YEAR 2020, ~~\$35,000,000~~ \$25,000,000;**

6 **(IV) FOR TAXABLE YEAR 2021, ~~\$75,000,000~~ \$35,000,000; AND**

7 **(V) FOR TAXABLE YEAR 2022 AND EACH TAXABLE YEAR**
 8 **THEREAFTER, ~~\$100,000,000~~ \$40,000,000.**

9 **(E) ON OR BEFORE JANUARY 31 EACH TAXABLE YEAR, THE DEPARTMENT**
 10 **SHALL REPORT TO THE COMPTROLLER ON THE TAX CREDIT CERTIFICATES ISSUED**
 11 **UNDER THIS SECTION DURING THE PRIOR TAXABLE YEAR.**

12 **(F) THE DEPARTMENT SHALL ADOPT REGULATIONS TO:**

13 **(1) IMPLEMENT THE PROVISIONS OF THIS SECTION; AND**

14 **(2) SPECIFY CRITERIA AND PROCEDURES FOR APPLICATION FOR,**
 15 **APPROVAL OF, AND MONITORING CONTINUING ELIGIBILITY FOR THE TAX CREDIT**
 16 **UNDER THIS SECTION.**

17 ~~SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to all~~
 18 ~~taxable years beginning after December 31, 2017.~~

19 SECTION ~~2~~ 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
 20 July 1, 2018, ~~contingent on the taking effect of Chapter _____ (S.B. _____/H.B.~~
 21 ~~_____) (Slr0118/Slr0117) of the Acts of the General Assembly of 2018, and if Chapter _____~~
 22 ~~(S.B. _____/H.B. _____) (Slr0118/Slr0117) does not become effective, this Act, with no further~~
 23 ~~action required by the General Assembly, shall be null and void and shall be applicable to~~
 24 ~~all taxable years beginning after December 31, 2017.~~