

SENATE BILL 89

Q3

9lr0134
CF HB 46

By: **The President (By Request – Administration) and Senators Bailey, Carozza, Cassilly, Eckardt, Edwards, Gallion, Hershey, Hough, Jennings, Ready, Reilly, Salling, Simonaire, and West**

Introduced and read first time: January 11, 2019

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 16, 2019

CHAPTER _____

1 AN ACT concerning

2 **Small Business Relief Tax Credit – ~~Expansion~~ Alterations**

3 FOR the purpose of altering the definition of “qualified employee” to include certain
4 individuals who are provided certain paid parental leave for purposes of a credit
5 against the State income tax for certain small businesses that provide certain
6 employer benefits to certain qualified employees; altering the calculation of the
7 credit; ~~increasing the maximum total amount of tax credit certificates that may be~~
8 ~~issued by the Department of Commerce for each taxable year;~~ defining a certain
9 term; making conforming changes; providing for the application of this Act; and
10 generally relating to a State income tax credit for businesses that provide employer
11 benefits to qualified employees.

12 BY repealing and reenacting, with amendments,
13 Article – Tax – General
14 Section 10–748
15 Annotated Code of Maryland
16 (2016 Replacement Volume and 2018 Supplement)

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

19 **Article – Tax – General**

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 10-748.

2 (a) (1) In this section the following words have the meanings indicated.

3 (2) “Department” means the Department of Commerce.

4 (3) “Qualified employee” means an individual who:

5 (i) is employed by a small business;

6 (ii) earns wages paid by the small business that are equal to or less
7 than 250% of the annual federal poverty guidelines for a single-person household; and

8 (iii) **1. IS PROVIDED PAID PARENTAL LEAVE IN A MANNER**
9 **SIMILAR TO EXECUTIVE BRANCH PERSONNEL UNDER § 9-1108 OF THE STATE**
10 **PERSONNEL AND PENSIONS ARTICLE; OR**

11 **2.** earns paid sick and safe leave in accordance with Title 3,
12 Subtitle 13 of the Labor and Employment Article.

13 **(4) “QUALIFIED EMPLOYER PARENTAL LEAVE BENEFIT” MEANS PAID**
14 **PARENTAL LEAVE THAT:**

15 **(I) IS PAID AT THE SAME WAGE RATE AS THE QUALIFIED**
16 **EMPLOYEE NORMALLY EARNS; AND**

17 **(II) MEETS OR EXCEEDS THE REQUIREMENTS FOR PAID**
18 **PARENTAL LEAVE PROVIDED TO EXECUTIVE BRANCH PERSONNEL UNDER § 9-1108**
19 **OF THE STATE PERSONNEL AND PENSIONS ARTICLE.**

20 **[(4)] (5) “Qualified employer SICK AND SAFE LEAVE benefit” means paid**
21 **earned sick and safe leave that:**

22 (i) is paid at the same wage rate as the qualified employee normally
23 earns; and

24 (ii) meets or exceeds the requirements under Title 3, Subtitle 13 of
25 the Labor and Employment Article.

26 **[(5)] (6) “Small business” means an individual, a partnership, a limited**
27 **partnership, a limited liability partnership, a limited liability company, or a corporation**
28 **that employs 14 or fewer employees.**

29 (b) A small business that employs a qualified employee may claim a credit against
30 the State income tax in the amount stated on the tax credit certificate issued under
31 subsection (d) of this section.

1 (c) (1) For each taxable year, the credit allowed under this section may not
2 exceed the lesser of:

3 (i) **FOR AN EMPLOYER THAT PROVIDES EITHER A QUALIFIED**
4 **EMPLOYER PARENTAL LEAVE BENEFIT OR A QUALIFIED EMPLOYER SICK AND SAFE**
5 **LEAVE BENEFIT**, an amount that equals \$500 for each qualified employee;

6 (ii) **FOR AN EMPLOYER THAT PROVIDES BOTH A QUALIFIED**
7 **EMPLOYER PARENTAL LEAVE BENEFIT AND A QUALIFIED EMPLOYER SICK AND SAFE**
8 **LEAVE BENEFIT, AN AMOUNT THAT EQUALS \$1,000 FOR EACH QUALIFIED**
9 **EMPLOYEE; or**

10 [(ii)] (iii) an amount that equals the total amount of **QUALIFIED**
11 **EMPLOYER PARENTAL LEAVE BENEFITS AND** qualified employer **SICK AND SAFE**
12 **LEAVE** benefits accrued by all qualified employees of the small business.

13 (2) If the credit allowed under this section in any taxable year exceeds the
14 State income tax for that taxable year, a small business may claim a refund in the amount
15 of the excess.

16 (d) (1) Subject to the limitations of this subsection, on application by a small
17 business, the Department shall issue a tax credit certificate in the amount allowable under
18 subsection (c) of this section.

19 (2) The application shall include:

20 (i) the name of the small business;

21 (ii) evidence that the small business is:

22 1. duly organized and in good standing in the jurisdiction
23 under the laws under which it is organized;

24 2. current in the payment of all tax obligations to the State
25 or any unit or subdivision of the State; and

26 3. not in default under the terms of any contract with,
27 indebtedness to, or grant from the State or any unit or subdivision of the State;

28 (iii) proof of the wages paid to each qualified employee;

29 (iv) proof of the **QUALIFIED EMPLOYER PARENTAL LEAVE**
30 **BENEFITS AND** qualified employer **SICK AND SAFE LEAVE** benefits accrued to each
31 qualified employee; and

1 (v) any other information that the Department requires.

2 (3) The Department shall:

3 (i) approve all applications that qualify for a tax credit certificate
4 under this subsection on a first-come, first-served basis; and

5 (ii) notify the small business within 45 days after the receipt of the
6 application of the Department’s approval or denial of the application.

7 (4) For any taxable year, the total amount of credit certificates issued by
8 the Department under this subsection may not exceed ~~[\$5,000,000]~~ **\$10,000,000**.

9 (e) On or before January 31 each taxable year, the Department shall report to the
10 Comptroller on the tax credit certificates issued under this section during the prior taxable
11 year.

12 (f) The Department and the Comptroller jointly shall adopt regulations to:

13 (1) implement the provisions of this section; and

14 (2) specify criteria and procedures for the application for, approval of, and
15 monitoring of continuing eligibility for the tax credit under this section.

16 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
17 1, 2019, and shall be applicable to all taxable years beginning after December 31, 2018.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.