HOUSE BILL 2

By: Delegate Luedtke
Requested: September 28, 2021
Introduced and read first time: January 12, 2022
Assigned to: Ways and Means

Committee Report: Favorable with amendments
House action: Adopted
Read second time: February 26, 2022

CHAPTER _____

1 AN ACT concerning

   Income Tax – Work Opportunity Tax Credit

2 FOR the purpose of allowing employers that claim the federal work opportunity credit to
3 claim a credit against the State income tax for certain wages paid to individuals with
4 barriers to employment; allowing certain tax-exempt organizations to claim the
5 credit under certain circumstances; altering the calculation of a certain subtraction
6 modification under the Maryland income tax for certain salary and wages paid to
7 certain individuals; and generally relating to a State work opportunity tax credit.

8 BY repealing and reenacting, without amendments,
9    Article – Tax – General
10    Section 10–208(a)
11    Annotated Code of Maryland
12    (2016 Replacement Volume and 2021 Supplement)

13 BY repealing and reenacting, with amendments,
14    Article – Tax – General
15    Section 10–208(k)
16    Annotated Code of Maryland
17    (2016 Replacement Volume and 2021 Supplement)

18 BY adding to
19    Article – Tax – General
20    Section 10–754

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.
Annotated Code of Maryland
(2016 Replacement Volume and 2021 Supplement)

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

Article – Tax – General

10–208.

(a) In addition to the modification under § 10–207 of this subtitle, the amounts
under this section are subtracted from the federal adjusted gross income of a resident to
determine Maryland adjusted gross income.

(k) (1) The subtraction under subsection (a) of this section includes the amount
of salary or wages paid for which a deduction is not allowed under § 280C(a) of the Internal
Revenue Code, not exceeding the credit allowed for targeted jobs under § 51 of the Internal
Revenue Code.

(2) THE SUBTRACTION ALLOWED UNDER THIS SUBSECTION SHALL BE
REDUCED BY THE AMOUNT OF THE CREDIT CLAIMED BY THE TAXPAYER UNDER §
10–754 OF THIS TITLE.

10–754.

(A) IN THIS SECTION, “FEDERAL WORK OPPORTUNITY CREDIT” MEANS THE
WORK OPPORTUNITY TAX CREDIT ALLOWED UNDER § 51 OF THE INTERNAL
REVENUE CODE FOR WAGES PAID OR INCURRED BY AN EMPLOYER TO AN
INDIVIDUAL WITH BARRIERS TO EMPLOYMENT.

(B) AN EMPLOYER MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX
FOR WAGES PAID OR INCURRED BY THE EMPLOYER DURING THE TAXABLE YEAR TO
AN INDIVIDUAL WITH BARRIERS TO EMPLOYMENT WHO IS EMPLOYED IN THE STATE
IN AN AMOUNT EQUAL TO THE LESSER OF:

(1) 100% 50% OF THE FEDERAL WORK OPPORTUNITY CREDIT
PROPERLY CLAIMED FOR THE TAXABLE YEAR BY AN EMPLOYER ON THE EMPLOYER’S
FEDERAL INCOME TAX RETURN WITH RESPECT TO THOSE WAGES, EXCLUDING ANY
AMOUNT CARRIED BACK OR FORWARD FROM ANOTHER TAXABLE YEAR IN
ACCORDANCE WITH § 39 OF THE INTERNAL REVENUE CODE; OR

(2) EXCEPT IN THE CASE OF AN EMPLOYER THAT IS AN ORGANIZATION
EXEMPT FROM TAXATION UNDER § 501(c) OF THE INTERNAL REVENUE CODE, THE
STATE INCOME TAX IMPOSED FOR THAT TAXABLE YEAR.
(C) An employer that is an organization exempt from taxation under § 501(c) of the Internal Revenue Code may apply the credit under this section as a credit for the payment to the Comptroller of taxes that the organization:

(1) is required to withhold from the wages of employees under § 10–908 of this title; and

(2) is required to pay to the Comptroller under § 10–906(a) of this title.

(D) The unused amount of the credit under this section may not be carried over to any other taxable year.

(E) On or before December 31, 2028, the Department of Legislative Services shall prepare a tax credit evaluation in accordance with Title 1, Subtitle 3 of this article on the tax credit authorized under this section and report to the General Assembly, in accordance with § 2–1257 of the State Government Article, on the tax credit evaluation.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2022, and shall be applicable to all taxable years beginning after December 31, 2021, but before January 1, 2029. It shall remain effective for a period of 7 years and, at the end of June 30, 2029, this Act, with no further action required by the General Assembly, shall be abrogated and of no further force and effect.

Approved:

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Governor.

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Speaker of the House of Delegates.

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President of the Senate.