

**Department of Legislative Services**  
Maryland General Assembly  
2022 Session

**FISCAL AND POLICY NOTE**  
**Third Reader**

Senate Bill 93

(Senator Kramer)

Budget and Taxation

Ways and Means

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**Tax Credits - Employment of Individuals With Disabilities**

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This bill expands the Maryland disability employment tax credit by increasing the maximum value of the tax credit that can be claimed for each qualified employee. **The bill takes effect July 1, 2022, and applies to tax year 2022 and beyond.**

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**Fiscal Summary**

**State Effect:** General fund revenues may decrease by \$22,000 annually beginning in FY 2023 due to additional credits claimed against the income tax. Expenditures are not directly affected.

| (in dollars) | FY 2023    | FY 2024    | FY 2025    | FY 2026    | FY 2027    |
|--------------|------------|------------|------------|------------|------------|
| GF Revenue   | (\$22,000) | (\$22,000) | (\$22,000) | (\$22,000) | (\$22,000) |
| Expenditure  | 0          | 0          | 0          | 0          | 0          |
| Net Effect   | (\$22,000) | (\$22,000) | (\$22,000) | (\$22,000) | (\$22,000) |

*Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** Local highway user revenues decrease to the extent credits are claimed against the corporate income tax. Local expenditures are not affected.

**Small Business Effect:** Minimal.

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**Analysis**

**Bill Summary/Current Law:** The Maryland disability employment tax credit, administered by the Maryland Department of Labor (MDL), allows an employer who hires a qualified individual with disabilities to claim an income tax credit for certain wages and child care and transportation expenses paid on behalf of the employee. In each of the

first two years of employment, employers can claim a credit equal to 30% of the first \$9,000 of wages paid to the employee and up to \$900 of the child care or transportation expenses paid on behalf of the employee. The amount of the credit may not exceed the tax liability for the taxable year, and any unused amount may be carried forward to five tax years.

The bill increases the amount of these expenses that qualify for the tax credit, thereby increasing its maximum value. **Exhibit 1** compares the maximum tax credit values under current law and as proposed by the bill.

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**Exhibit 1**  
**Tax Credit Maximum Values**  
**Current Law and Proposed**

| <b><u>Tax Credit Component</u></b> | <b><u>Current Law</u></b> | <b><u>Proposed</u></b> | <b><u>Difference</u></b> |
|------------------------------------|---------------------------|------------------------|--------------------------|
| Wages                              | \$2,700                   | \$4,500                | \$1,800                  |
| Transportation / Child Care        | <u>900</u>                | <u>1,500</u>           | <u>600</u>               |
| <b>Total</b>                       | <b>\$3,600</b>            | <b>\$6,000</b>         | <b>\$2,400</b>           |

Source: Department of Legislative Services

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According to the Comptroller's Office, in recent years businesses have claimed an average of \$32,800 in tax credits. MDL advises that in calendar 2021 a total of nine companies participated in the program.

**State Fiscal Effect:** The bill increases the maximum value of the Maryland disability employment tax credit. As a result, general fund revenues will decrease by \$22,000 annually beginning in fiscal 2023. This estimate assumes that credits are claimed against the personal income tax. To the extent tax credits are claimed against the corporate income tax, a portion of tax credits claimed will decrease Transportation Trust Fund and Higher Education Investment Fund revenues.

The estimated impact of increasing the maximum value of the tax credit is based on the amount of tax credits claimed in recent years, adjusted for the provisions of the bill. To the extent that the increased credit values encourage more businesses to claim the credit, revenue losses will be greater than estimated. In addition, MDL may incur additional expenses to process and certify additional tax credit applications.

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## Additional Information

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Comptroller's Office; Maryland State Department of Education; Maryland Department of Labor; Department of Legislative Services

**Fiscal Note History:** First Reader - January 17, 2022  
fnu2/jrb Third Reader - February 15, 2022

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