

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 255 (Delegate Rosenberg)
 Appropriations and Ways and Means

Maryland Internship Opportunities Program - Creation and Income Tax Credit

This bill establishes the Maryland Internship Opportunities Program (MIOP) at the University of Maryland Baltimore County (UMBC), as a humanities-based internship program similar to the existing Maryland Technology Internship Program (MTIP). The Governor must include in the annual budget bill an appropriation for (1) the reimbursement of MIOP stipends and (2) UMBC to administer the program. An employer participating in MIOP may claim a credit against the State income tax equal to, at most, \$4,200 for each eligible intern who is employed as a full-time employee within six months after graduating from an eligible institution. The Maryland Department of Labor (MDL) may award a maximum of \$250,000 in credits in each tax year. **The bill takes effect July 1, 2022, and applies to tax year 2022 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease by \$250,000 annually beginning in FY 2023 due to credits claimed against the income tax. General fund expenditures increase by an estimated \$177,600 in FY 2023 to administer the tax credit and for MIOP administration and stipends; future years reflect annualization and elimination of one-time costs. To the extent State agencies participate in MIOP, potential minimal impacts on reimbursable revenues and expenditures (not shown below).

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
GF Revenue	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)
GF Expenditure	\$177,600	\$142,300	\$144,400	\$146,300	\$148,600
Net Effect	(\$427,600)	(\$392,300)	(\$394,400)	(\$396,300)	(\$398,600)

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

Local Effect: Local revenues and expenditures increase minimally beginning in FY 2023 to the extent local government agencies participate in MIOP, as discussed below.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Maryland Internship Opportunities Program

The purposes of MIOP are to:

- connect college and university students, recent graduates, and veterans with small humanities-based businesses through internships;
- encourage high-achieving students at institutions of higher education in the State to remain in Maryland after graduation;
- increase student understanding of employment opportunities in the State;
- create connections between students and community business leaders and entrepreneurs and develop opportunities for student involvement in communities;
- assist small humanities-based businesses in developing internship programs and recruiting future employees; and
- foster business retention and development, job creation, workforce development, and new investment in the State.

To carry out the purposes of the program, UMBC, leveraging the technology systems of MTIP, must utilize an Internet site through which students may learn about humanities-based businesses, humanities-based positions in units of State and local government, and internship opportunities. Humanities-based businesses and units of State and local government may register to participate in the program and post information about internship opportunities on the Internet site. They may also apply for reimbursement of internship stipends on the Internet site.

To qualify for MIOP, an individual must be a student enrolled at a public or private nonprofit institution of higher education in the State or have graduated from such an institution within 12 months before the date of application. In addition, a student enrolled at an out-of-state public or private nonprofit institution may apply if the student graduated from a high school in the State. These individuals must maintain or have maintained a specified grade point average. Further, specified veterans may apply within 18 months of an honorable discharge. A veteran must be a resident of Maryland and have graduated from a public or private nonprofit institution of higher education.

Further, an eligible applicant must commit to working a minimum of 120 hours during a spring, fall, or summer semester and meet any other criteria established by UMBC.

To qualify for participation in the program, a business or unit of State or local government must (1) commit to hosting an intern for a minimum of 120 hours during a spring, fall, or summer semester and (2) provide a detailed description of the position. In addition, a business must be located in the State and be humanities-based.

UMBC must develop a process for tracking and assessing the outcomes of the program, including specified outcomes. UMBC must obtain feedback from program participants as specified, and at specified intervals, with the final follow up being three years following the conclusion of the internship.

Money awarded under the program may be used to reimburse a humanities-based business or unit of State or local government for up to 50% of a stipend paid to an intern, but no more than \$4,200 each year for each intern. However, the maximum reimbursement amounts may be increased in accordance with changes in employment market conditions as jointly determined by UMBC and the Department of Commerce. At least 50% of the internships supported by the program each year must be with businesses that have no more than 150 employees.

At the end of each fiscal year, UMBC must prepare an annual report that includes an accounting of all financial receipts and expenditures that relate to the program. UMBC must submit a copy of the report to the General Assembly.

Tax Credit for Eligible Employers That Hire Maryland Internship Opportunities Program Graduates

Beginning in tax year 2022, an “eligible employer” (specifically, a business that participates in MIOP) may claim a nonrefundable income tax credit in the taxable year in which an eligible intern completed an internship with that employer. An “eligible intern” is a student who participated in MIOP and is employed by an eligible employer on a full-time basis within six months after graduating (from an eligible institution of higher education). The amount of the tax credit may not exceed \$4,200 for each eligible intern. If the credit exceeds the State income tax imposed in the tax year, any unused amount may be carried forward to subsequent taxable years until the full amount of the excess credit is used.

At least 30 days before employing an eligible intern, the employer must submit an application to MDL. MDL must (1) approve all applications on a first-come, first-served basis; (2) certify the amount of the tax credit; and (3) adopt regulations to implement the bill, including the criteria and procedures for application for and approval of tax credit certificates for the tax credit.

MDL may issue a maximum of \$250,000 in tax credits in each tax year.

Current Law:

Maryland Technology Internship Program

Chapter 652 of 2014 created MTIP to increase student understanding of employment opportunities in the State and foster business retention and development, job creation, workforce development, and new investment in the State. UMBC and Commerce must collaborate to utilize an Internet site through which (1) students may learn about technology-based businesses and internship opportunities and (2) technology-based businesses may register, post information about internship opportunities, and apply for reimbursement of internship stipends.

The Governor must include in the State budget funds for the reimbursement of the stipends and for UMBC to administer the program. Money awarded may be used to reimburse a technology-based business, State agency, or local governments up to 50% of a stipend paid to an intern, capped at \$3,000 annually for each intern.

UMBC and Commerce must also (1) develop application and registration requirements; (2) develop orientation and training programs for program participants; (3) review applications and award reimbursements of internship stipends; (4) provide opportunities for students to meet entrepreneurs, visit technology-related industry incubators, and learn about starting a business in the State; (5) provide recruitment and training opportunities and support for participating businesses; and (6) track and assess program outcomes.

Eligibility requirements for individuals generally focus on in-state or out-of-state enrollment in an institution of higher education, grade point average, and history of military service. Eligible individuals must commit to working a minimum of 120 hours during a spring, fall, or summer semester; attend an orientation session provided or approved by UMBC; and meet any other criteria established by UMBC.

To qualify for participation in MTIP, a business, which includes nonprofit organizations, must (1) be located in the State; (2) be a technology-based business; (3) commit to hosting an intern for a minimum of 120 hours during a spring, fall, or summer semester; (4) provide a detailed description of an intern position with the business; and (5) provide proof that a representative has attended an orientation or training program provided or approved by UMBC. "Technology-based business" is defined as a commercial or an industrial enterprise that is engaged in the application of scientific knowledge to practical purposes in a particular field. In addition, units of State and local governments may register to participate in the program. At least 50% of the internships supported by the program each year must be with businesses that have no more than 150 employees.

State Revenues: Tax credits may be claimed beginning in tax year 2022. As a result, general fund revenues decrease by \$250,000 annually beginning in fiscal 2023. This estimate assumes that MDL awards the maximum authorized amount of credits in each tax year and tax 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.

To the extent State agencies participate in MIOP, revenues increase minimally from internship stipend reimbursements from UMBC.

State Expenditures: The Comptroller’s Office incurs a one-time general fund expenditure increase of \$40,000 in fiscal 2023 to add the tax credit to the personal income tax forms, which includes data processing changes to the income tax return processing and imaging systems and systems testing.

The Department of Legislative Services estimates that UMBC requires a part-time administrative staff position to manage MIOP and \$75,000 annually for MIOP stipends, which could support 20 to 70 interns each year, depending on the amount of stipends paid by employers.

MDL advises that it requires one part-time staff position to administer the tax credit.

Thus, general fund expenditures increase by \$177,564 in fiscal 2023 to administer MIOP and the tax credit and to provide stipends. This estimate reflects a 90-day start-up delay following the bill’s July 1, 2022 effective date. It includes a quarter-time salary and fringe benefits for an office clerk to certify the tax credits, a half-time administrator to administer MIOP, one-time costs for the Comptroller to modify tax forms, and \$75,000 annually for stipends. It also includes one-time start-up costs and other ongoing operating expenses.

MDL Position	0.25
UMBC Position	0.50
Salaries and Fringe Benefits	\$48,871
MIOP Stipends	75,000
Comptroller One-time Costs	40,000
Operating Expenses	<u>13,693</u>
Total FY 2023 Expenditures	\$177,564

Future year expenditures reflect full salaries with annual increases and employee turnover as well as increases in ongoing operating expenses.

To the extent the bill results in internships at State agencies that otherwise would not have been created, State expenditures (all funds) increase minimally. Those costs are partially offset, as noted above, through stipend reimbursements.

Local Fiscal Effect: Local revenues increase minimally beginning in fiscal 2023 from stipend reimbursements, to the extent local governments participate. Local highway user revenues decrease minimally to the extent tax credits are claimed against the corporate income tax rather than the personal income tax. Local expenditures increase minimally to the extent the bill results in internships that otherwise would not have been created.

Small Business Effect: Eligible humanities-based small businesses may qualify to host eligible interns and receive up to \$4,200 per intern in State funds to help pay intern stipends. However, to receive the State funds, the small businesses need to at least match that amount for an intern's stipend and commit to hosting the intern for at least 120 hours during a spring, fall, or summer semester. Participating small businesses may be matched with well-qualified interns who could become future employees, which may reduce recruitment costs. Further, small businesses that hire an eligible intern from MIOP may also qualify for the tax credit established by the bill.

Additional Information

Prior Introductions: Legislation containing similar provisions, HB 1215 of 2021, received a hearing in the House Appropriations Committee, but no further action was taken on the bill.

Designated Cross File: None.

Information Source(s): Department of Commerce; Comptroller's Office; University System of Maryland; Maryland Department of Labor; Department of Legislative Services

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