HB 377

Department of Legislative Services

Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 377 (Prince George's County Delegation)
Ways and Means

Prince George's County - Income Tax - Credit for Employers Providing Parental Engagement Leave
PG 409-25

This bill creates a refundable credit against the State income tax for employers in Prince George's County that provide parental engagement leave to qualified employees. The credit equals the qualified employee's hourly wage rate times the number of parental leave hours used by the employee during the taxable year, up to $800 per qualified employee. The Maryland State Department of Education (MSDE), in consultation with the Comptroller, must develop and make available a certification form to be used in claiming the credit. **The bill takes effect July 1, 2025, and applies to tax year 2025 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease significantly, potentially by more than $680,000 annually, beginning in FY 2026, as discussed below. To the extent credits are claimed against the corporate income tax, Higher Education Investment Fund (HEIF) revenues and Transportation Trust Fund (TTF) revenues and expenditures are also affected. General fund expenditures for the Comptroller's Office increase by $37,400 in FY 2026; future years reflect annualization and ongoing costs.

Local Effect: Local Highway User Revenues (HUR) decrease beginning in FY 2026 to the extent credits are claimed against the corporate income tax. Local expenditures are likely not affected, although the Prince George's County Board of Education may incur an administrative burden.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: Parental engagement leave is leave away from work that is:

- provided at the discretion of an employer for the benefit of a qualified employee;
- used for allowing the qualified employee to attend school-related meetings or events at the school in which the student of the qualified employee is enrolled;
- established by written policy;
- at least 10 but not more than 20 hours of leave per qualified employee;
- paid at the same wage rate as the qualified employee normally earns; and
- supplemental to any other leave or benefits provided by the employer to the qualified employee.

A qualified employee is an individual who is the parent (or guardian with legal custody) of a school student and uses parental engagement leave in accordance with an employer policy. "School" is defined as a public or nonpublic elementary or secondary school in Prince George's County, including a charter school.

The bill specifies employer prohibitions of parental engagement leave and the certification process, which includes requiring qualified employees to obtain proof of attendance from the school principal and a member of the Prince George's County Board of Education representing the public school or another administrator if it is a nonpublic school.

Current Law: No State income tax credit of this type exists for employers providing leave to attend school functions, but the State previously provided a tax credit to small businesses that provided paid sick and safe leave. Chapter 571 of 2018 created a refundable credit against the State income tax for a small business that employed 14 or fewer employees and provided paid sick and safe leave in accordance with the Maryland Healthy Working Families Act to a qualified employee. A qualified employee was one who earned 250% or less of the annual federal poverty guidelines for a single-person household. The credit was the lesser of $500 for each qualified employee or the total amount of qualified employer benefits accrued by qualified employees. The Department of Commerce was authorized to issue tax certificates not exceeding $5 million annually. Chapter 717 of 2024 repealed the tax credit.

State Revenues: General fund revenues may decrease significantly beginning in fiscal 2026 due to credits claimed against the State income tax. To the extent credits are claimed against the corporate income tax, a portion of foregone tax revenues will reduce HEIF and TTF revenues.

The Maryland Department of Planning projects school enrollment to be over 125,000 students in Prince George's County in 2026. Assuming 2% of these students have a parent or guardian with an employer in Prince George's County that participates in the program, the Department of Legislative Services (DLS) estimates that revenues decrease by approximately $680,000 annually, based on employees earning the median hourly rate of $26.83 and taking 10 hours of parental engagement leave.

However, DLS advises that there is considerable uncertainty regarding the number of businesses that will opt to provide parental engagement leave and claim the credit as there is little data available on this type of leave. Thus, the bill's precise impact on general fund, HEIF, and TTF revenues cannot be reliably estimated.

State Expenditures: The Comptroller's Office advises that one additional full-time revenue examiner is needed in order to review and verify tax credit claims under the bill. However, given the low utilization rate by small businesses of the previous paid sick and safe leave tax credit and the limited scope of taxpayers eligible to claim the credit, DLS assumes that the Comptroller's Office likely only needs one additional part-time revenue examiner. Thus, general fund expenditures increase by $37,447 in fiscal 2026, which reflects a 90-day start-up delay from the bill's July 1, 2025 effective date. This estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	0.5
Salary and Fringe Benefits	$30,492
Operating Expenses	6,955
Total FY 2026 State Expenditures	**$37,447**

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses. To the extent that claims are higher than anticipated, the Comptroller's Office may need additional revenue examiners.

MSDE can create, in consultation with the Comptroller's Office, and distribute a certification form with existing budgeted resources.

A portion of TTF revenues from the corporate income tax is used to provide capital transportation grants to local governments (local HUR). Thus, TTF expenditures for HUR grants to local governments decrease beginning in fiscal 2026, to the extent credits are claimed against the corporate income tax.

Local Revenues: Local HUR decrease beginning in fiscal 2026, to the extent credits are claimed against the corporate income tax.

Local Expenditures: The Prince George's County Board of Education may incur an administrative burden from certifying and documenting parental or guardian involvement in school-related meetings and events.

Small Business Effect: Small businesses in Prince George's County may be meaningfully affected to the extent that they are eligible to claim credits against the State income tax for providing parental engagement leave.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 818 and SB 721 of 2024.

Designated Cross File: None.

Information Source(s): Prince George's County; Comptroller's Office; Maryland State Department of Education; Prince George's County Public Schools; Department of Legislative Services

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