

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1047
Ways and Means

(Delegate Wu, *et al.*)

Income Tax - Credit for Employers of Eligible Apprentices - Alterations

This bill extends the termination date of the apprenticeship income tax credit by six years and alters the definition of an apprentice for the tax credit by eliminating the requirement that an apprentice receives an apprenticeship wage of at least 50% of the prevailing wage if the individual is in an employee classification for which there is a prevailing wage rate. **The bill takes effect June 1, 2025, and applies to tax year 2025 and beyond.**

Fiscal Summary

State Effect: General fund expenditures increase in FY 2026 through 2031, but the amount of the increase depends on the amount of money appropriated to the reserve fund each year. If the credit is funded based on some prior years' average credit award levels, general fund expenditures may increase annually by \$843,000 in FY 2026 through 2031. Revenues are not affected.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Chapter 149 of 2017 established the apprenticeship income tax credit under the More Jobs for Marylanders Program. Chapter 643 of 2020 extended the termination date of the tax credit, modified the eligibility requirements and increased the tax credit amount, and established the Apprenticeship Tax Credit Reserve Fund, making the program a budgeted tax credit. The program terminates on June 30, 2025, and is not applicable to tax years 2025 and beyond.

An eligible apprentice is an individual in an apprenticeship program registered with the Maryland Apprenticeship and Training Council that meets specified requirements. The eligible apprentice must have been employed by the taxpayer for at least 450 hours of the taxable year through a youth apprenticeship program or been employed by the taxpayer for at least seven full months of the taxable year and receive an apprenticeship wage of at least 50% of the prevailing wage if there is an applicable prevailing wage rate.

With respect to the first five eligible apprentices for whom the taxpayer claims the credit, the credit is \$3,000 for each eligible apprentice if the eligible apprentice is not employed through a youth apprenticeship program. Otherwise, the credit is \$1,000 for each eligible apprentice. The Maryland Department of Labor (MD Labor) may not certify more than \$15,000 of tax credits in the taxable year for any taxpayer and tax credit applications are approved on a first-come, first-served basis.

The Governor must include in the annual budget bill an appropriation to the Apprenticeship Tax Credit Reserve Fund, and the amount of credits that MD Labor can award each year cannot exceed the amount appropriated to the fund.

State Expenditures: It is unknown how much money the Governor will appropriate to the reserve fund in each year under the bill. The fiscal 2025 budget included \$1.0 million in general funds for the apprenticeship income tax credit, but the 2026 budget as introduced includes a reversion of \$875,000 for fiscal 2025. Prior to Chapter 643, MD Labor processed approximately 281 applications per year, awarding an average of \$843,000 in tax credits. Tax credit activity dramatically declined after Chapter 643 to fewer than 54 applications on average in tax years 2022 and 2023, which MD Labor attributes to the prevailing wage requirement. Thus, removing the prevailing wage requirement may increase demand for the credit to levels similar to that of prior to tax year 2020.

Assuming the program is funded at the average amount of credits awarded before the prevailing wage requirement, general fund expenditures increase by \$843,000 annually through fiscal 2031. To the extent that the Governor provides less or more money to the reserve fund in any year, the increase in general fund expenditures will vary accordingly. Although discretionary, it is assumed that funding is provided in fiscal 2026.

Administrative Expenditures

The Comptroller's Office can implement the bill with existing resources. MD Labor reports that one tax credit processor certifies the apprenticeship tax credits, and it charges the

reserve fund for this expense. Thus, any personnel costs associated with administering the credit may reduce the availability of tax credits that businesses may claim.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 325 (Senator Carozza, *et al.*) - Budget and Taxation.

Information Source(s): Comptroller's Office; Department of Budget and Management; Maryland Department of Labor; Department of Legislative Services

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