

HOUSE BILL 2

Q3

(PRE-FILED)

2lr0583
CF SB 598

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

2 **Income Tax – Work Opportunity Tax Credit**

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

9 BY repealing and reenacting, without amendments,

10 Article – Tax – General

11 Section 10–208(a)

12 Annotated Code of Maryland

13 (2016 Replacement Volume and 2021 Supplement)

14 BY repealing and reenacting, with amendments,

15 Article – Tax – General

16 Section 10–208(k)

17 Annotated Code of Maryland

18 (2016 Replacement Volume and 2021 Supplement)

19 BY adding to

20 Article – Tax – General

21 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.



1 Annotated Code of Maryland
2 (2016 Replacement Volume and 2021 Supplement)

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

5 **Article – Tax – General**

6 10–208.

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

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

14 (2) THE SUBTRACTION ALLOWED UNDER THIS SUBSECTION SHALL BE
15 REDUCED BY THE AMOUNT OF THE CREDIT CLAIMED BY THE TAXPAYER UNDER §
16 10–754 OF THIS TITLE.

17 **10–754.**

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

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

26 (1) 100% 50% OF THE FEDERAL WORK OPPORTUNITY CREDIT
27 PROPERLY CLAIMED FOR THE TAXABLE YEAR BY AN EMPLOYER ON THE EMPLOYER’S
28 FEDERAL INCOME TAX RETURN WITH RESPECT TO THOSE WAGES, EXCLUDING ANY
29 AMOUNT CARRIED BACK OR FORWARD FROM ANOTHER TAXABLE YEAR IN
30 ACCORDANCE WITH § 39 OF THE INTERNAL REVENUE CODE; OR

31 (2) EXCEPT IN THE CASE OF AN EMPLOYER THAT IS AN ORGANIZATION
32 EXEMPT FROM TAXATION UNDER § 501(C) OF THE INTERNAL REVENUE CODE, THE
33 STATE INCOME TAX IMPOSED FOR THAT TAXABLE YEAR.

1 **(C) AN EMPLOYER THAT IS AN ORGANIZATION EXEMPT FROM TAXATION**
2 **UNDER § 501(C) OF THE INTERNAL REVENUE CODE MAY APPLY THE CREDIT UNDER**
3 **THIS SECTION AS A CREDIT FOR THE PAYMENT TO THE COMPTROLLER OF TAXES**
4 **THAT THE ORGANIZATION:**

5 **(1) IS REQUIRED TO WITHHOLD FROM THE WAGES OF EMPLOYEES**
6 **UNDER § 10-908 OF THIS TITLE; AND**

7 **(2) IS REQUIRED TO PAY TO THE COMPTROLLER UNDER § 10-906(A)**
8 **OF THIS TITLE.**

9 ~~**(D)**~~ **(D) THE UNUSED AMOUNT OF THE CREDIT UNDER THIS SECTION MAY**
10 **NOT BE CARRIED OVER TO ANY OTHER TAXABLE YEAR.**

11 ~~**(E)**~~ **(E) ON OR BEFORE DECEMBER 31, 2028, THE DEPARTMENT OF**
12 **LEGISLATIVE SERVICES SHALL PREPARE A TAX CREDIT EVALUATION IN**
13 **ACCORDANCE WITH TITLE 1, SUBTITLE 3 OF THIS ARTICLE ON THE TAX CREDIT**
14 **AUTHORIZED UNDER THIS SECTION AND REPORT TO THE GENERAL ASSEMBLY, IN**
15 **ACCORDANCE WITH § 2-1257 OF THE STATE GOVERNMENT ARTICLE, ON THE TAX**
16 **CREDIT EVALUATION.**

17 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
18 1, 2022, and shall be applicable to all taxable years beginning after December 31, 2021, but
19 before January 1, 2029. It shall remain effective for a period of 7 years and, at the end of
20 June 30, 2029, this Act, with no further action required by the General Assembly, shall be
21 abrogated and of no further force and effect.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.