

## Chapter 6

**(House Bill 2)**

AN ACT concerning

**Income Tax – Work Opportunity Tax Credit**

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

BY repealing and reenacting, without amendments,

Article – Tax – General

Section 10–208(a)

Annotated Code of Maryland

(2016 Replacement Volume and 2021 Supplement)

BY repealing and reenacting, with amendments,

Article – Tax – General

Section 10–208(k)

Annotated Code of Maryland

(2016 Replacement Volume and 2021 Supplement)

BY adding to

Article – Tax – General

Section 10–754

Annotated Code of Maryland

(2016 Replacement Volume and 2021 Supplement)

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

**Article – Tax – General**10–208.

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

(k) **(1)** The subtraction under subsection (a) of this section includes the amount of salary or wages paid for which a deduction is not allowed under § 280C(a) of the Internal

Revenue Code, not exceeding the credit allowed for targeted jobs under § 51 of the Internal Revenue Code.

**(2) THE SUBTRACTION ALLOWED UNDER THIS SUBSECTION SHALL BE REDUCED BY THE AMOUNT OF THE CREDIT CLAIMED BY THE TAXPAYER UNDER § 10-754 OF THIS TITLE.**

10-754.

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

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

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

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

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

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

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

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

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

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

**Approved by the Governor, April 1, 2022.**