

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 242

(Senator Guzzone)(By Request - Office of the
Comptroller)

Budget and Taxation

Ways and Means

Income Tax - Work Opportunity Tax Credit - Technical Correction

This departmental bill corrects an incorrect cross-reference to the federal Internal Revenue Code relating to the federal Work Opportunity Tax Credit. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: None. The bill is technical in nature and does not directly affect governmental finances.

Local Effect: None.

Small Business Effect: The Office of the Comptroller has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Current Law/Background:

Maryland Work Opportunity Credit

Chapters 5 and 6 of 2022 authorized a nonrefundable State income tax credit for up to 50% of the value of the federal Work Opportunity Tax Credit claimed by an employer with respect to a qualified individual who is employed in the State. The credit is available beginning in tax year 2022.

Federal Work Opportunity Credit

The federal Work Opportunity Tax Credit provides a federal income tax credit to employers for qualified first-year wages paid to employees who (1) are members of specified targeted groups that face significant barriers to employment and (2) begin work before January 1, 2026. In general, the value of the credit is 40% of the first \$6,000 of wages paid to a qualifying employee during the employee's first year of employment. An employer must obtain certification from a designated state workforce agency that an employee for which the credit is claimed is a member of a targeted group.

Targeted groups under the Work Opportunity Tax Credit include recipients of Temporary Assistance to Needy Families or Supplemental Nutrition Assistance Program benefits; veterans; ex-felons; residents of empowerment zones, enterprise zones, enterprise communities, renewal communities, and rural renewal counties; vocational rehabilitation referrals; recipients of supplemental Social Security income; and specified long-term unemployment recipients.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Department of Legislative Services

Fiscal Note History: First Reader - January 30, 2023
rh/jrb Third Reader - February 21, 2023

Analysis by: Elizabeth J. Allison

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Income Tax - Work Opportunity Tax Credit - Technical Correction

BILL NUMBER: SB242

PREPARED BY: Justin Hayes, Director of State Affairs, COM

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON
MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON
MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

This bill allows not-for-profit entities to be eligible for a credit, as was originally envisioned by the legislation that created the Work Opportunity Tax Credit. As such, there is no small business impact whatsoever.