



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF POLICY ANALYSIS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Ryan Bishop
Director

March 5, 2020

The Honorable April Rose
320 House Office Building
Annapolis, Maryland 21401-1991

Dear Delegate Rose:

You have requested a reanalysis of the fiscal effect of House Bill 1198 in light of your proposed amendment # 273123/1. As introduced, House Bill 1198 creates a credit against the State income tax for a small business that employs a high school or college intern or an apprentice who works for at least 20 hours each week for at least three months during the taxable year. The amount of the credit is equal to the lesser of \$2,500 for each eligible intern or apprentice hired or \$7,500. Your amendment makes the following changes:

- eliminates the credit for employing an apprentice; and
- defines a small business as an individual, partnership, limited partnership, limited liability partnership, limited liability company, or a corporation that employs 15 or fewer full-time employees.

If adopted, the proposed amendment would alter the State fiscal effect in the fiscal and policy note. General fund, Transportation Trust Fund, and Higher Education Investment Fund revenues would still decrease by a potentially significant amount beginning in fiscal 2021. Almost 14% of employees work for small businesses that employ 15 or fewer employees. Assuming there are 30,000 interns in the State and that 14% of them work for small businesses, income tax revenues will decrease by approximately \$7.6 million annually. However, the bill does not define an internship so the fiscal impact could vary significantly.

The amendment, if adopted, would also prompt an adjustment to the small business effect in the fiscal and policy note. Small businesses with 15 or fewer employees that employ interns benefit by receiving a tax credit equal to \$2,500 for each eligible intern hired for up to 3 interns. There are approximately 88,385 firms in Maryland with fewer than 15 employees, but it is unknown how many of these businesses will hire interns and whether these businesses will have sufficient tax liability to claim the credit.

The amendment, if adopted, would not change State expenditures or the local fiscal effect.

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I hope this information is responsive to your request. Please let me know if I can be of further assistance.

Sincerely,

A handwritten signature in black ink, reading "Heather N. MacDonagh". The signature is written in a cursive style with a large, looping initial 'H'.

Heather N. MacDonagh
Senior Policy Analyst

cc: Ms. Victoria L. Gruber
Mr. Ryan Bishop