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House Bill 2 – Income Tax – Work Opportunity Tax Credit

Position: Support
House Ways and Means Committee
January 26, 2022

Chair Atterbeary, Vice Chair Washington, and Members of the Committee:

Since taking office, Governor Hogan has remained committed to expanding employment opportunities for all Marylanders. HB 2 will help expand these opportunities by allowing Maryland employers that claim the federal Work Opportunity Tax Credit (WOTC) to claim that credit against their State income tax for the lesser amount of either the amount claimed on their federal tax return for the WOTC or the State income tax imposed for that taxable year. The Work Opportunity Tax Credit (WOTC) is a federal tax credit available to employers for hiring individuals who have consistently faced significant barriers to employment, like veterans.

If enacted, HB 2 will help businesses hire more effectively and reduce their administrative costs by aligning the WOTC with the proposed state tax credit. Research has shown that targeted wage subsidies, including the WOTC, are among the most effective labor market policies for expanding work opportunities. Additionally, the expansion of employment tax credits like the WOTC, increase the average length of employment, and raise the wages earned by the individuals served by these tax credits. Finally, HB 2 is also cost-effective because these subsidies are only paid when targeted individuals are placed in jobs.

During a time when employers are facing historic workforce shortages, it is critical that we do everything in our power to assist businesses with their ability to hire. Expanding the WOTC to apply to an employer's State income tax will not only assist businesses with the costs of hiring and training new employees, but will also incentivize hiring individuals that have had difficulties finding employment.

If you have any questions or would like to discuss this testimony further, please do not hesitate to contact me at keiffer.mitchell@maryland.gov or (410) 974-3336.

Sincerely,

Keiffer J. Mitchell, Jr.
Senior Counselor & Chief Legislative Officer

