

HOUSE BILL 452

Q3

7lr1691

By: **Delegates Queen, Angel, Barron, Gutierrez, C. Howard, Kelly, Lierman,
A. Miller, Morales, Platt, Reznik, Tarlau, and M. Washington**

Introduced and read first time: January 26, 2017

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax Credits – Employer Child Care Center and Employer–Provided**
3 **Child Care Services**

4 FOR the purpose of authorizing a credit against the State income tax for certain taxpayers
5 who, during the taxable year, establish a certain child care center that provides child
6 care services for the children of the taxpayer’s employees or who compensate a
7 certain child care provider or child care referral service under certain circumstances;
8 providing that the credit may not exceed the State income tax for that taxable year
9 and that any unused credit may not be carried over to any other taxable year;
10 providing for the calculation of the credit; requiring the State Department of
11 Education, on application of a taxpayer, to issue a tax credit certificate under certain
12 circumstances; requiring the application to contain certain information; providing
13 for the maximum amount of a tax credit that may be stated in a tax credit certificate;
14 requiring the Department to approve applications on a first–come, first–served basis
15 and notify applicants of approval or denial of an application within a certain number
16 of days of receipt of the application; providing that the total amount of tax credit
17 certificates issued by the Department may not exceed a certain amount for each
18 taxable year; providing that tax credit certificate amounts not issued during a
19 taxable year may be carried over and issued during the next taxable year; requiring
20 the Department to report certain information to the Comptroller and the General
21 Assembly on or before a certain date each year; requiring the Department to adopt
22 certain regulations; defining certain terms; providing for the application of this Act;
23 and generally relating to certain credits against the State income tax for employer
24 child care centers and employer–provided child care services.

25 BY adding to
26 Article – Tax – General
27 Section 10–741 and 10–742
28 Annotated Code of Maryland
29 (2016 Replacement Volume)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

3 **Article – Tax – General**

4 **10-741.**

5 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
6 INDICATED.

7 (2) “CHILD CARE CENTER” HAS THE MEANING STATED IN § 9.5-401
8 OF THE EDUCATION ARTICLE.

9 (3) “DEPARTMENT” MEANS THE STATE DEPARTMENT OF
10 EDUCATION.

11 (4) “QUALIFIED EXPENSES” MEANS:

12 (I) COSTS INCURRED TO CONSTRUCT, RENOVATE, OR EXPAND A
13 CHILD CARE CENTER; AND

14 (II) COSTS INCURRED TO PURCHASE EQUIPMENT FOR A CHILD
15 CARE CENTER.

16 (B) (1) A TAXPAYER MAY CLAIM A CREDIT AGAINST THE STATE INCOME
17 TAX IN THE AMOUNT STATED ON THE TAX CREDIT CERTIFICATE ISSUED UNDER
18 SUBSECTION (C) OF THIS SECTION FOR THE TAXABLE YEAR IN WHICH THE TAXPAYER
19 ESTABLISHES A CHILD CARE CENTER THAT PROVIDES CHILD CARE SERVICES FOR
20 THE CHILDREN OF THE TAXPAYER’S EMPLOYEES.

21 (2) (I) THE TOTAL AMOUNT OF THE CREDIT ALLOWED UNDER THIS
22 SECTION FOR ANY TAXABLE YEAR MAY NOT EXCEED THE STATE INCOME TAX
23 IMPOSED FOR THAT TAXABLE YEAR.

24 (II) ANY UNUSED AMOUNT OF THE CREDIT FOR ANY TAXABLE
25 YEAR MAY NOT BE CARRIED OVER TO ANY OTHER TAXABLE YEAR.

26 (C) (1) ON APPLICATION BY A TAXPAYER, THE DEPARTMENT SHALL
27 ISSUE A CREDIT CERTIFICATE IN THE AMOUNT OF 25% OF THE QUALIFIED EXPENSES
28 INCURRED BY THE TAXPAYER DURING THE TAXABLE YEAR IN ORDER TO ESTABLISH
29 A CHILD CARE CENTER.

30 (2) THE APPLICATION SHALL CONTAIN:

1 **(I) THE NAME OF THE TAXPAYER;**

2 **(II) THE LOCATION AND LICENSING INFORMATION OF THE**
3 **CHILD CARE CENTER;**

4 **(III) PROOF OF THE QUALIFIED EXPENSES INCURRED BY THE**
5 **TAXPAYER DURING THE TAXABLE YEAR FOR THE CHILD CARE CENTER; AND**

6 **(IV) ANY OTHER INFORMATION THAT THE DEPARTMENT**
7 **REQUIRES.**

8 **(3) FOR ANY TAXABLE YEAR, THE AMOUNT OF THE TAX CREDIT**
9 **STATED IN THE TAX CREDIT CERTIFICATE MAY NOT EXCEED \$50,000.**

10 **(4) THE DEPARTMENT SHALL:**

11 **(I) APPROVE ALL APPLICATIONS THAT QUALIFY FOR A TAX**
12 **CREDIT CERTIFICATE UNDER THIS SUBSECTION ON A FIRST-COME, FIRST-SERVED**
13 **BASIS; AND**

14 **(II) NOTIFY A TAXPAYER WITHIN 45 DAYS OF RECEIPT OF THE**
15 **TAXPAYER'S APPLICATION OF ITS APPROVAL OR DENIAL.**

16 **(5) (I) FOR EACH TAXABLE YEAR, THE TOTAL AMOUNT OF TAX**
17 **CREDIT CERTIFICATES THAT MAY BE ISSUED BY THE DEPARTMENT UNDER THIS**
18 **SECTION MAY NOT EXCEED \$1,000,000.**

19 **(II) IF THE AGGREGATE AMOUNT OF TAX CREDIT CERTIFICATES**
20 **ISSUED UNDER THIS SECTION DURING A TAXABLE YEAR TOTALS LESS THAN THE**
21 **AMOUNT AUTHORIZED UNDER THIS PARAGRAPH, ANY EXCESS AMOUNT MAY BE**
22 **ISSUED UNDER TAX CREDIT CERTIFICATES IN THE NEXT TAXABLE YEAR.**

23 **(D) ON OR BEFORE JANUARY 31 EACH TAXABLE YEAR, THE DEPARTMENT**
24 **SHALL:**

25 **(1) REPORT TO THE COMPTROLLER ON THE TAX CREDIT**
26 **CERTIFICATES ISSUED UNDER THIS SECTION DURING THE PRIOR TAXABLE YEAR;**
27 **AND**

28 **(2) REPORT TO THE GENERAL ASSEMBLY, IN ACCORDANCE WITH §**
29 **2-1246 OF THE STATE GOVERNMENT ARTICLE, ON THE UTILIZATION OF THE**
30 **CREDIT ESTABLISHED UNDER THIS SECTION.**

1 **(E) THE DEPARTMENT SHALL ADOPT REGULATIONS TO CARRY OUT THE**
2 **PROVISIONS OF THIS SECTION, INCLUDING THE CRITERIA AND PROCEDURES FOR**
3 **APPLICATION FOR AND APPROVAL OF ELIGIBILITY FOR THE TAX CREDIT**
4 **AUTHORIZED UNDER THIS SECTION.**

5 **10-742.**

6 **(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS**
7 **INDICATED.**

8 **(2) “CHILD CARE PROVIDER” HAS THE MEANING STATED IN § 9.5-601**
9 **OF THE EDUCATION ARTICLE.**

10 **(3) “DEPARTMENT” MEANS THE STATE DEPARTMENT OF**
11 **EDUCATION.**

12 **(4) “TAXPAYER” DOES NOT INCLUDE AN INDIVIDUAL WHO IS**
13 **SELF-EMPLOYED.**

14 **(B) (1) A TAXPAYER MAY CLAIM A CREDIT AGAINST THE STATE INCOME**
15 **TAX IN THE AMOUNT STATED ON THE TAX CREDIT CERTIFICATE ISSUED UNDER**
16 **SUBSECTION (C) OF THIS SECTION IF, DURING THE TAXABLE YEAR, THE TAXPAYER:**

17 **(I) COMPENSATES A CHILD CARE PROVIDER WHO PROVIDES**
18 **CHILD CARE SERVICES TO THE CHILDREN OF THE TAXPAYER’S EMPLOYEES; OR**

19 **(II) COMPENSATES A CHILD CARE REFERRAL SERVICE FOR**
20 **SERVICES PROVIDED TO THE TAXPAYER’S EMPLOYEES.**

21 **(2) (I) THE TOTAL AMOUNT OF THE CREDIT ALLOWED UNDER THIS**
22 **SECTION FOR ANY TAXABLE YEAR MAY NOT EXCEED THE STATE INCOME TAX**
23 **IMPOSED FOR THAT TAXABLE YEAR.**

24 **(II) ANY UNUSED AMOUNT OF THE CREDIT FOR ANY TAXABLE**
25 **YEAR MAY NOT BE CARRIED OVER TO ANY OTHER TAXABLE YEAR.**

26 **(C) (1) ON APPLICATION BY A TAXPAYER, THE DEPARTMENT SHALL**
27 **ISSUE A CREDIT CERTIFICATE IN THE AMOUNT OF:**

28 **(I) 25% OF THE COMPENSATION PAID TO CHILD CARE**
29 **PROVIDERS FOR THE CARE OF EACH CHILD OF AN EMPLOYEE, NOT EXCEEDING**
30 **\$1,250 PER CHILD; AND**

1 (II) 25% OF THE COMPENSATION PAID TO CHILD CARE
2 REFERRAL SERVICES.

3 (2) THE APPLICATION SHALL CONTAIN:

4 (I) THE NAME OF THE TAXPAYER;

5 (II) PROOF OF THE EXPENSES INCURRED BY THE TAXPAYER
6 DURING THE TAXABLE YEAR IN ORDER TO COMPENSATE CHILD CARE PROVIDERS OR
7 CHILD CARE REFERRAL SERVICES; AND

8 (III) ANY OTHER INFORMATION THAT THE DEPARTMENT
9 REQUIRES.

10 (3) FOR ANY TAXABLE YEAR, THE AMOUNT OF THE TAX CREDIT
11 STATED IN THE TAX CREDIT CERTIFICATE MAY NOT EXCEED \$50,000.

12 (4) THE DEPARTMENT SHALL:

13 (I) APPROVE ALL APPLICATIONS THAT QUALIFY FOR A TAX
14 CREDIT CERTIFICATE UNDER THIS SUBSECTION ON A FIRST-COME, FIRST-SERVED
15 BASIS; AND

16 (II) NOTIFY A TAXPAYER WITHIN 45 DAYS OF RECEIPT OF THE
17 TAXPAYER'S APPLICATION OF ITS APPROVAL OR DENIAL.

18 (5) (I) FOR EACH TAXABLE YEAR, THE TOTAL AMOUNT OF TAX
19 CREDIT CERTIFICATES THAT MAY BE ISSUED BY THE DEPARTMENT UNDER THIS
20 SECTION MAY NOT EXCEED \$1,000,000.

21 (II) IF THE AGGREGATE AMOUNT OF TAX CREDIT CERTIFICATES
22 ISSUED UNDER THIS SECTION DURING A TAXABLE YEAR TOTALS LESS THAN THE
23 AMOUNT AUTHORIZED UNDER THIS PARAGRAPH, ANY EXCESS AMOUNT MAY BE
24 ISSUED UNDER TAX CREDIT CERTIFICATES IN THE NEXT TAXABLE YEAR.

25 (D) ON OR BEFORE JANUARY 31 EACH TAXABLE YEAR, THE DEPARTMENT
26 SHALL:

27 (1) REPORT TO THE COMPTROLLER ON THE TAX CREDIT
28 CERTIFICATES ISSUED UNDER THIS SECTION DURING THE PRIOR TAXABLE YEAR;
29 AND

1 **(2) REPORT TO THE GENERAL ASSEMBLY, IN ACCORDANCE WITH §**
2 **2-1246 OF THE STATE GOVERNMENT ARTICLE, ON THE UTILIZATION OF THE**
3 **CREDIT ESTABLISHED UNDER THIS SECTION.**

4 **(E) THE DEPARTMENT SHALL ADOPT REGULATIONS TO CARRY OUT THE**
5 **PROVISIONS OF THIS SECTION, INCLUDING THE CRITERIA AND PROCEDURES FOR**
6 **APPLICATION FOR AND APPROVAL OF ELIGIBILITY FOR THE TAX CREDIT**
7 **AUTHORIZED UNDER THIS SECTION.**

8 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
9 1, 2017, and shall be applicable to all taxable years beginning after December 31, 2016.