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

AN ACT concerning

Income Tax Credits – Employer Child Care Center and Employer–Provided Child Care Services

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

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

EXPLANATION: **CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.**
[Brackets**]** indicate matter deleted from existing law.

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

Article – Tax – General

10–741.

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

(2) "CHILD CARE CENTER" HAS THE MEANING STATED IN § 9.5–401 OF THE EDUCATION ARTICLE.

(3) "DEPARTMENT" MEANS THE STATE DEPARTMENT OF EDUCATION.

(4) "QUALIFIED EXPENSES" MEANS:

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

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

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

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

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

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

(2) THE APPLICATION SHALL CONTAIN:

(I) THE NAME OF THE TAXPAYER;

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

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

(IV) ANY OTHER INFORMATION THAT THE DEPARTMENT REQUIRES.

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

(4) THE DEPARTMENT SHALL:

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

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

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

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

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

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

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

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

10–742.

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

(2) "CHILD CARE PROVIDER" HAS THE MEANING STATED IN § 9.5–601 OF THE EDUCATION ARTICLE.

(3) "DEPARTMENT" MEANS THE STATE DEPARTMENT OF EDUCATION.

(4) "TAXPAYER" DOES NOT INCLUDE AN INDIVIDUAL WHO IS SELF–EMPLOYED.

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

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

(II) COMPENSATES A CHILD CARE REFERRAL SERVICE FOR SERVICES PROVIDED TO THE TAXPAYER'S EMPLOYEES.

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

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

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

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

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

(2) THE APPLICATION SHALL CONTAIN:

(I) THE NAME OF THE TAXPAYER;

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

(III) ANY OTHER INFORMATION THAT THE DEPARTMENT REQUIRES.

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

(4) THE DEPARTMENT SHALL:

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

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

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

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

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

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

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

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

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