

COMMENTARY WORKING & THE ECONOMY

Luedtke & Guzzone: Tax Relief and Work Opportunities — Two Birds, One Stone

By Guest Commentary

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Pexels.com photo by Sora Shimazaki.

By Del. Eric Luedtke and Sen. Guy Guzzone

Luedtke, a Democrat, represents Montgomery County's District 14 in the Maryland House of Delegates and is House majority leader. Guzzone, a Democrat, represents Howard County's District 13 in the Maryland Senate and is chair of the Budget and Taxation Committee.

Labor shortages and high unemployment are defining characteristics of the economic fallout of the ongoing coronavirus pandemic.

With the General Assembly in the thick of its 2022 legislative session, one of the top priorities for us and our Democratic colleagues is helping get Marylanders back to work. As part of that effort, we are proud to be sponsoring legislation to expand the Work Opportunity Tax Credit, a proven program that encourages employers to hire Marylanders who have trouble finding a job.

In early 2020, when the COVID-19 virus forced our economy and society to temporarily shut down, the unemployment rate exploded from 3.5% to 9% almost overnight. Thankfully, many of those who found themselves jobless as a result have since returned to work.

But while our state has made meaningful progress on this front, unemployment remains nearly 2% higher than pre-pandemic levels.

A job is often more than a job. It's a ticket to long-term economic security and to the middle class.

Many Marylanders have for the first time in their lives been dealing with the trials and tribulations of unemployment. For others, the chronically unemployed, this is not a new experience. Even before COVID we've known that certain groups have more trouble finding work: veterans, returning citizens and people with disabilities among them.

Many of these Marylanders discover over time that re-employment becomes more difficult the longer they are unemployed. Employers are more likely to hire workers that have recently been employed, creating an additional barrier for those who are trying to rebuild their economic security.

The Work Opportunity Tax Credit helps break down this barrier.

The idea of the credit is to provide businesses who hire employees from targeted groups with a tax credit. In effect, it lowers the cost to employers of hiring Marylanders who are struggling to find employment.

The federal government created the Work Opportunity Tax Credit in 1996 and it has produced great results. [One study](#) found that the WOTC increased employment rates among eligible groups by a significant 12.6%. [Another study](#) that looked specifically at veterans who qualify for the program found the WOTC increased their wage income by a staggering 39.9%. Additional data shows that employees who participate in the program stay in their jobs even longer than their non-participant colleagues and do just as well in finding their next job once they leave the employer.

The social benefits are also compelling. The transition of people from chronic unemployment into paid positions can be expected to improve public health and educational outcomes, reduce reliance on public assistance, and more. And the program is cost-effective.

[A report](#) by the National Conference of State Legislatures estimates that the benefits to taxpayers are twice the cost of the maximum tax credits issued. In other words, the tax credit program pays for itself.

The data suggests that the WOTC is an effective tool to create jobs and address chronic unemployment. And it does so while both assisting businesses and lifting qualified people out of unemployment. But this program could do more during this time of particular hardship for so many.

This is why we have introduced [legislation](#) to create a state match for the federal WOTC. This will further incentivize employers to open opportunities to Marylanders who are looking for work.

This proposal could have life-altering benefits for the unemployed and small businesses around the state.

We look forward to the General Assembly's consideration of this proposal, and to building a stronger economic future for Marylanders and their families.



Guest Commentary

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