

HB2 Maryland's Work Opportunity Tax Credit

HB2 is modeled on a widely supported federal tax credit known as the Work Opportunity Tax Credit, or WOTC, that has been law since 1996. WOTC is supported by a broad-based coalition as it provides employers a modest tax credit to hire individuals from ten different categories of people that have faced barriers to entering the workforce. The categories target potential employees on state programs, the most significant numbers come from the following categories:

- SNAP or 'food stamps'
- TANF
- Long Term Unemployed
- Reentering convicted felons
- Disabled veterans

The Biden Administration is promoting WOTC as an important tool to creating new jobs while investing in social equity. To learn more about the federal WOTC tax credit, see the Biden Administration Tax Notes link

<https://www.irs.gov/newsroom/renewed-work-opportunity-tax-credit-can-help-employers-hire-workers>

The state qualifies the candidates' eligibility and forwards the certification to the IRS for the tax credit. The maximum credit for most of the categories is \$2,400 based on the retention of the employee.

HB2 provides a state tax credit for employers that hire and retain employees from these targeted groups. By modeling the federal credit, the state credit is easy for employers and the state to administer, scale and succeed.

The credit is an important tool to help employers target:

- People still struggling to find employment due to economic dislocation
- Increase workforce participation rates which is desperately needed in the economy
- Help employers absorb the needed, but significant wage inflation in the economy
- Give employers resources to support these employees in the workforce

While all tax credits are budgeted as a "cost" to the state, WOTC takes people off of social programs into taxable employment, thus the state will financially benefit from the accelerated hiring.

The WOTC eligible employees skew toward communities that have been underrepresented or faced discrimination in the workforce, including women, the poor, and people of color.