

**Department of Legislative Services**  
 Maryland General Assembly  
 2021 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 881  
 Budget and Taxation

(Senator Guzzone)

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**Income Tax - Work Opportunity Tax Credit**

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This bill creates a nonrefundable credit against the State income tax for up to 100% of the federal Work Opportunity Tax Credit claimed for the employment of an individual who under the federal credit is a qualified recipient of the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), long-term family assistance, or long-term unemployment. Any unused amount of the credit may not be carried forward to any other tax year. **The bill takes effect July 1, 2021, and applies to tax years 2021 and beyond.**

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**Fiscal Summary**

**State Effect:** General fund revenues decrease beginning in FY 2022 due to credits claimed against the income tax. The Comptroller's Office estimates that revenues will decrease by \$4.8 million in FY 2022 and by \$1.5 million in FY 2026. Transportation Trust Fund (TTF) and Higher Education Investment Fund (HEIF) revenues decrease beginning in FY 2022 to the extent credits are claimed against the corporate income tax. General fund expenditures increase by \$60,000 in FY 2022 due to one-time implementation costs at the Comptroller's Office.

(\$ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GF Revenue	(\$4.8)	(\$3.5)	(\$2.7)	(\$2.1)	(\$1.5)
GF Expenditure	\$0.1	\$0	\$0	\$0	\$0
Net Effect	(\$4.9)	(\$3.5)	(\$2.7)	(\$2.1)	(\$1.5)

*Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** Local highway user revenues decrease to the extent credits are claimed against the corporate income tax. Local expenditures are not affected.

**Small Business Effect:** Minimal.

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## Analysis

**Current Law:** The Work Opportunity Tax Credit is a federal income tax credit available to employers for hiring individuals who are considered to face significant barriers to employment. Employers may claim the credit for employees who begin work before January 1, 2026.

The targeted groups for the credit include a qualified (1) individual in a family receiving TANF; (2) veteran; (3) designated community resident; (4) vocational rehabilitation referral certified to have a physical or mental disability; (5) summer youth employee; (6) ex-felon; (7) individual in a family receiving SNAP benefits; (8) supplemental Social Security income recipient; (9) long-term family assistance recipient; and (10) long-term unemployment recipient.

In addition to the federal work opportunity tax credit, several existing State and federal programs provide tax credits to promote employment generally, within certain geographic areas of the State, and for targeted populations.

**State Revenues:** Tax credits may be claimed beginning in tax year 2021. As a result, State revenues will decrease beginning in fiscal 2022. Based on the requirements of the bill and national cost estimates for the federal credit, the Comptroller's Office estimates that general fund revenues will decrease by \$4.8 million in fiscal 2022 and by \$1.5 million in fiscal 2026. TTF and HEIF revenues will decrease to the extent credits are claimed against the corporate income tax.

**State Expenditures:** The Comptroller's Office reports that it will incur a one-time general fund expenditure increase of \$60,000 in fiscal 2022 to add the tax credit to the income tax forms. This includes data processing changes to the income tax return processing and imaging systems and systems testing.

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## Additional Information

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Comptroller's Office; U.S. Joint Committee on Taxation; Department of Legislative Services

**Fiscal Note History:** First Reader - March 1, 2021  
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