

# State Tax Incentives for Employers

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## Maryland

### 1) **Maryland Disability Employment Tax Credit (MDETC)**

All employees with disabilities hired on or after October 1, 1997, are eligible

- a) 30% of first \$6,000 earned by employee in first year of employment and up to 20% of first \$6,000 earned by employee in second year of employment
- b) Tax credit for work-related childcare or transportation funded by employer in amount of up to \$600 of qualified childcare or transportation expenses incurred during first year of employment, and up to \$500 for the second year of employment. This could be an incentive to encourage employers to possibly assist employees with costs of transportation! Adding this financial assistance to the Impairment-Related Work Expenses (IRWE) reduction available to people receiving SSI or SSDI, transportation costs may be manageable.

MDETC is good because employers may receive the state tax credit in years concurrent with receiving the federal WOTC or any other federal tax credit for which the employee may be eligible. Employers can get both state tax credits listed above for same years as well. Great incentives here!!

### 2) **Enterprise Zone Tax Credit**

A one- to three-year Maryland state tax credit for employers in designated Enterprise Zones who hire for newly created full-time jobs. A one-time credit for each new employee and a three-year credit for hiring an employee who is economically disadvantaged.

- a) Economically Disadvantaged New Hires or Rehires Laid Off for One Year or More
  - 1st Year - \$3,000
  - 2nd Year - \$3,000
  - 3rd Year - \$1,500
- b) Focus Area Employees within the Enterprise Zone
  - 1st Year - \$4500
  - 2nd Year - \$3000
  - 3rd Year - \$1500
- c) New Hires Not Economically Disadvantaged
  - \$1000 per new worker - \$1500 if in a focus area within a zone

In order to receive full \$6,000 credit, the employee must remain in the position for three years. If the employee leaves and another person who is economically disadvantaged is

hired in the position, the employer may take the remainder of the credit as if the original employee remained.

**Important to Note:**

In Maryland, an employer must pay a wage equal to at least 150% of the federal minimum wage to be eligible for the credit, along with other qualifications. Employers are also reminded that they may not ask an applicant if he or she is a person with a disability for tax credit or other purposes.

## New York

In 2013, the New York Office for People with Developmental Disabilities (DD) ended new admissions to sheltered workshops where people with DD do piece work. It created a pre-employment service called Pathway to Employment to help people transition into integrated workplaces.

1) **Workers with Developmental Disabilities Tax Credit Program** (also called “Inspire New York” and “WETC”)

Effective January 1, 2015. Funded with \$6 million set aside each year through 2019 for three years per one article, and for five years per another article.

Employer Tax Credit up to \$5,000 for hiring someone full time (30 or more hours per week), and up to \$2,500 for hiring at part time (at least eight hours per week). All employees must work for the employer at least 6 months in order for the employer to become eligible. The non-refundable credit is 15% of wages for full-timers and 10% for part-timers up to the maximum amounts listed.

To participate, the employee must have a developmental disability and must be either working at a sheltered workshop or have been unemployed prior to October 1, 2014. Effort is aimed at moving people out of sheltered workshops in to integrated employment and moving unemployed in to employment.

### **NY State Employment Tax Credit Prior to 2015**

For tax years beginning in 1997 and for employees hired after 1996, New York has allowed a tax credit for the second year of employment (with the Federal Work Opportunity Tax Credit (WOTC) used for the first year of employment). This was a way to allow an “extension” of the WOTC, but to do so with a state tax credit. (NY did not allow an employer to receive state tax credits for the same employee and for the same year as they received federal tax credits. The employer chose which to apply for based upon the employee’s eligibility. But there was no ‘stacking’ allowed as is permitted in Maryland. It is not clear if the new tax credit law effective January 1, 2015, will allow stacking with federal incentives. Florida can consider these options when proposing legislation.)

Amount of credit: Up to 35% of the first \$6,000 earned during the second year of employment. The employee must work for up to two years in order to qualify for this credit. WOTC is applied for the first year. Maximum credit for second year is \$2100 per employee. It is not clear if the new program will be in addition to the previous credit detailed here. The previous credit did not

require the person hired to be from a sheltered workshop or receiving services from programs for people with disabilities.

**2) Work Try-Out**

Available through New York's VR – 100% wage reimbursement for up to 160 hours of work. Purpose is to allow people with little or no experience the opportunity to try out jobs.

**3) On-the-Job Training (OJT)**

Enables employers to receive reimbursement for part of wages paid to trainees during the training period for up to four months. During this time, the trainee is on the employer's payroll and receives the same benefits as all other employees. At end of the training period, it is expected that the trainee will have the skills necessary to be permanently employed.

## Texas

**1) Welfare to Work Tax Credit (WWTC)**

An employee who works 400 or more hours, or 180 days may qualify for the WWTC. If so, the credit is 35% for the first year and 50% for the second year of the first \$10,000 in wages earned, or a maximum total credit of \$8500. (Maximum of \$3500 for first year and \$5000 for second year.)

If the same employee qualifies for both the WOTC and the WWTC, the employer must select whether to use the WWTC or the WOTC. The employer cannot receive credit from both for the same year for the same employee. Since the WOTC applies only to an employee's first year, all that are eligible for WWTC may be able to receive the credit of up to \$5000 for the second year that was not previously available.

**2) Franchise Tax Credit for Hiring Persons with Disabilities**

Title 34, Part 1, Chapter 3, Subchapter V, Franchise Tax, Rule 3.580 of the Texas Administrative Code, Credit for Hiring Persons with Disabilities provides in part that a corporation may claim a credit on its franchise tax report for 10% of the wages paid to each "qualified" employee. In order for an employee to be qualified, they must be eligible for supplemental security income benefits based on disability or blindness; or, a recipient of social security disability benefits. The "qualified" employee must work a minimum of 20 hours per week, earn at least minimum wage, and receive the same benefits that the corporation provides its other employees. A corporation may claim the credit only for wages that the corporation has paid to a qualified employee for a position that is located or based in Texas; and, for work that is performed before the second anniversary date of that qualified employee's original date of employment.

**3) Historically Underutilized Business (HUB) Program**

A HUB is defined as a business formed for the purpose of making a profit in which at least 51 percent of the business is owned, operated, and controlled by American women, a person with a disability, or a racial minority. The state must demonstrate a good faith effort to do business with HUBs. Additional incentives also apply which contribute to the success of HUBs.

#### 4) **Self-Sufficiency Fund**

This program assists employers and businesses by financing the development and implementation of customized job-training projects for new and current workers. Self-sufficiency grants deliver businesses customized training solutions that support workforce hiring efforts and skills upgrading for current workers. The purpose is to provide training targeted to those employees who are at risk for becoming dependent on governmental benefits or public assistance. Workers with disabilities can benefit from this program as they are often likely to be recipients of public assistance.

#### 5) **Skills Development Fund**

Assists businesses and trade unions by financing the design and implementation of customized job training projects. This fund successfully merges business needs and local customized training opportunities into a winning formula to increase the skills level and wages of the Texas work force.

#### 6) **Skills for Small Businesses**

Through the Texas Workforce Commission, \$2 million is used to fund training at the local community college or Texas Engineering Extension Service. This funding can assist people with disabilities who work in small businesses to obtain the education they need to succeed.

## Utah

#### 1) **Targeted Job Tax Credit**

Businesses that hire people with severe disabilities are able to receive a credit against the corporate franchise or income tax based on salaries paid to employees with disabilities. The credit is 10% of the gross wages earned in the first 180 days of employment plus 20% of the gross wages earned in the remainder of the taxable year.

For purposes of this credit: people with disabilities are defined as individuals who: 1) have been receiving services from a day-training program or from a supported employment program for persons with disabilities, which is certified by the Department of Human Services as a qualifying program, for at least six consecutive months prior to working for the employer who is claiming the tax credit; or 2) were eligible for services from the Division of Services for People with Disabilities at the time the person began working for the employer claiming the tax credits.

An employer qualifies for the credit only if the person with a disability 1) works in the state for at least 180 days in a taxable year; and 2) is paid at least minimum wage by the employer. The credit is limited to \$3,000 per employee during the taxable year. The credit is allowed only for the first two years the employee works for the employer.

Credit amounts greater than Utah corporation tax liability in the tax year in which credit is earned may be carried forward to the following two tax years. Carry-forward credits shall be applied against the tax liability of any year before the application of any credits earned in the tax year on a first-earned first-used basis.

(There is no reference as to whether the Utah credit can be received concurrently with the WOTC federal credit. IMO since this is within the states' discretion, it would be most beneficial for employers to allow concurrent credits, both federal and state for same years.)