
By: **Senators Garagiola, Brinkley, Britt, Brochin, Dyson, Forehand,
Giannetti, Hafer, Hogan, Klausmeier, Kramer, Lawlah, Stone, and
Teitelbaum**

Introduced and read first time: January 19, 2005

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax Subtraction Modification for Cost of Employee Teleworking**
3 **Expenses**

4 FOR the purpose of providing a subtraction modification under the Maryland income
5 tax for costs incurred by an employer for certain teleworking expenses of certain
6 employees; providing that the subtraction modification of each employer may
7 not exceed a certain amount; providing for applications to the Secretary of
8 Transportation for approval of the credit and certification by the Secretary to
9 employers of approved credit amounts; providing that the total amount of the
10 subtraction modification allowed for all employers may not exceed a certain
11 amount; requiring the Secretary to submit a certain report; specifying the
12 contents of the report; defining certain terms; providing for the application and
13 termination of this Act; and generally relating to an income tax subtraction
14 modification for certain employer costs incurred for certain employee
15 teleworking expenses.

16 BY repealing and reenacting, without amendments,
17 Article - Tax - General
18 Section 10-208(a) and 10-308(a)
19 Annotated Code of Maryland
20 (2004 Replacement Volume)

21 BY adding to
22 Article - Tax - General
23 Section 10-208(q)
24 Annotated Code of Maryland
25 (2004 Replacement Volume)

26 BY repealing and reenacting, with amendments,
27 Article - Tax - General
28 Section 10-308(b)
29 Annotated Code of Maryland

1 (2004 Replacement Volume)

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

4 **Article - Tax - General**

5 10-208.

6 (a) In addition to the modification under § 10-207 of this subtitle, the
7 amounts under this section are subtracted from the federal adjusted gross income of
8 a resident to determine Maryland adjusted gross income.

9 (Q) (1) (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE THE
10 MEANINGS INDICATED.

11 (II) 1. "ELIGIBLE EMPLOYEE TELEWORKING EXPENSES" MEANS
12 EXPENSES PAID BY AN EMPLOYER FOR EQUIPMENT OR SERVICES THAT ARE USED BY
13 AN EMPLOYEE TO TELEWORK.

14 2. "ELIGIBLE EMPLOYEE TELEWORKING EXPENSES"
15 INCLUDES THE COSTS FOR:

16 A. INSTALLING AND MAINTAINING COMPUTERS, CABLE
17 MODEM OR TELEPHONE LINES, AND TELECOMMUNICATIONS EQUIPMENT AT THE
18 PRIVATE RESIDENCE OF AN EMPLOYEE WHO HAS BEEN AUTHORIZED TO TELEWORK
19 BY THE EMPLOYER OR AT AN ALTERNATE WORK SITE THAT HAS BEEN APPROVED BY
20 THE EMPLOYER; AND

21 B. PAYING FOR CABLE MODEM OR TELECOMMUNICATIONS
22 SERVICES, SUCH AS A MONTHLY FEE FOR CONNECTION TO THE INTERNET, THAT ARE
23 NECESSARY FOR AN EMPLOYEE WHO HAS BEEN AUTHORIZED TO TELEWORK BY AN
24 EMPLOYER.

25 3. "ELIGIBLE EMPLOYEE TELEWORKING EXPENSES" DOES
26 NOT INCLUDE COSTS INCURRED FOR USE OF EQUIPMENT OR SERVICES FOR
27 PURPOSES OTHER THAN TELEWORKING.

28 (III) "EMPLOYER" MEANS A PERSON CONDUCTING OR OPERATING A
29 TRADE OR BUSINESS IN THE STATE.

30 (IV) "SECRETARY" MEANS THE SECRETARY OF TRANSPORTATION.

31 (V) "TELEWORKING" MEANS USING CABLE MODEM OR
32 TELECOMMUNICATIONS TECHNOLOGY TO WORK AT A LOCATION OTHER THAN A
33 TRADITIONAL OFFICE SETTING.

34 (2) (I) SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH, THE
35 SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES 100% OF THE

1 COSTS INCURRED BY AN EMPLOYER DURING THE TAXABLE YEAR FOR ELIGIBLE
2 EMPLOYEE TELEWORKING EXPENSES.

3 (II) THE SUBTRACTION UNDER THIS SUBSECTION MAY NOT
4 EXCEED \$5,000 FOR ANY TAXABLE YEAR.

5 (3) (I) TO QUALIFY FOR THE SUBTRACTION MODIFICATION UNDER
6 THIS SUBSECTION, AN EMPLOYER SHALL SUBMIT AN APPLICATION TO THE
7 SECRETARY, ON OR BEFORE OCTOBER 1 OF EACH YEAR, FOR APPROVAL OF THE
8 SUBTRACTION MODIFICATION FOR A TAXABLE YEAR THAT BEGINS IN THE NEXT
9 CALENDAR YEAR.

10 (II) THE TOTAL AMOUNT OF SUBTRACTION MODIFICATIONS
11 APPROVED BY THE SECRETARY FOR EACH CALENDAR YEAR UNDER THIS
12 SUBSECTION MAY NOT EXCEED:

- 13 1. \$100,000 IN 2006;
- 14 2. \$175,000 IN 2007; AND
- 15 3. \$250,000 IN 2008.

16 (III) IF THE TOTAL AMOUNT OF SUBTRACTION MODIFICATIONS
17 APPLIED FOR BY ALL EMPLOYERS EXCEEDS THE MAXIMUM SPECIFIED IN
18 SUBPARAGRAPH (II) OF THIS PARAGRAPH, THE SECRETARY SHALL APPROVE
19 SUBTRACTION MODIFICATIONS UNDER THIS SUBSECTION IN THE ORDER IN WHICH
20 APPLICATIONS WERE RECEIVED.

21 (IV) ON OR BEFORE NOVEMBER 15 OF EACH YEAR, THE SECRETARY
22 SHALL CERTIFY TO EACH EMPLOYER THE SUBTRACTION MODIFICATION APPROVED
23 FOR THE EMPLOYER UNDER THIS SUBSECTION FOR THE TAXABLE YEAR THAT
24 BEGINS IN THE NEXT CALENDAR YEAR.

25 (V) TO CLAIM THE SUBTRACTION MODIFICATIONS UNDER THIS
26 SUBSECTION, AN EMPLOYER SHALL ATTACH A COPY OF THE SECRETARY'S
27 CERTIFICATION OF THE SUBTRACTION MODIFICATION TO THE EMPLOYER'S INCOME
28 TAX RETURN.

29 (4) ON OR BEFORE DECEMBER 15 OF EACH YEAR, THE SECRETARY
30 SHALL SUBMIT TO THE COMPTROLLER AND, SUBJECT TO § 2-1246 OF THE STATE
31 GOVERNMENT ARTICLE, THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE
32 HOUSE OF DELEGATES A REPORT ON THE SUBTRACTION MODIFICATIONS APPROVED
33 UNDER THIS SUBSECTION FOR THE TAXABLE YEAR THAT BEGINS IN THE NEXT
34 CALENDAR YEAR, INCLUDING:

35 (I) THE TOTAL NUMBER OF EMPLOYERS THAT APPLIED FOR THE
36 SUBTRACTION MODIFICATIONS UNDER THIS SUBSECTION AND THE TOTAL NUMBER
37 OF EMPLOYERS APPROVED;

1 (II) THE TOTAL AMOUNT OF SUBTRACTION MODIFICATIONS
2 SOUGHT BY ALL EMPLOYERS AND THE TOTAL AMOUNT OF SUBTRACTION
3 MODIFICATIONS APPROVED BY THE SECRETARY FOR ALL EMPLOYERS; AND

4 (III) FOR EACH EMPLOYER APPROVED:

5 1. THE NAME AND PHYSICAL LOCATION OF THE EMPLOYER
6 IN THE STATE;

7 2. THE NUMBER OF EMPLOYEES THAT WOULD BE
8 TELEWORKING UNDER THE EMPLOYER AND FOR WHOM THE EMPLOYER IS SEEKING
9 THE SUBTRACTION MODIFICATIONS;

10 3. THE ELIGIBLE EMPLOYEE TELEWORKING EXPENSES FOR
11 EACH EMPLOYEE; AND

12 4. THE AMOUNT OF SUBTRACTION MODIFICATIONS SOUGHT
13 BY THE EMPLOYER AND THE AMOUNT OF SUBTRACTION MODIFICATIONS APPROVED
14 BY THE SECRETARY.

15 (5) THE SECRETARY SHALL ADOPT REGULATIONS NECESSARY TO
16 CARRY OUT THE PROVISIONS OF THIS SUBSECTION.

17 10-308.

18 (a) In addition to the modification under § 10-307 of this subtitle, the
19 amounts under this section are subtracted from the federal taxable income of a
20 corporation to determine Maryland modified income.

21 (b) The subtraction under subsection (a) of this section includes the amounts
22 allowed to be subtracted for an individual under:

23 (1) § 10-208(d) of this title (Conservation tillage equipment expenses);

24 (2) § 10-208(i) of this title (Reforestation or timber stand expenses);

25 (3) § 10-208(k) of this title (Wage expenses for targeted jobs);

26 (4) § 10-208(m) of this title (Poultry or livestock manure spreading
27 equipment); [and]

28 (5) § 10-208(p) of this title (Elevator handrails in health care facilities);
29 AND

30 (6) § 10-208(Q) OF THIS TITLE (ELIGIBLE EMPLOYEE TELEWORKING
31 EXPENSES).

32 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
33 July 1, 2005, and shall be applicable to all taxable years beginning after December 31,
34 2005, but before January 1, 2009. It shall remain effective for a period of 4 years and,

- 1 at the end of June 30, 2009, with no further action required by the General Assembly,
- 2 this Act shall be abrogated and of no further force and effect.