
By: Delegates Bissett, Busch, Hixson, and Franchot

Introduced and read first time: February 9, 1996

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Military Reuse Zones - Advanced Technology Job Creation Tax Credit**

3 FOR the purpose of allowing a credit against the State income tax, financial institution
4 franchise tax, public service company franchise tax, and insurance premiums tax for
5 the establishment or expansion of certain business facilities in certain designated
6 military reuse zones in the State under certain circumstances; providing for
7 calculation of the credit based on the number of new jobs created as a result of the
8 establishment or expansion of a facility; limiting the credit allowed in any taxable
9 year to the total tax otherwise payable for that taxable year; providing for the
10 carryforward of unused credit; providing for recapture of the credit under certain
11 circumstances; requiring the Department of Business and Economic Development
12 to adopt certain regulations; providing for the future codification of part of this Act;
13 defining certain terms; and generally relating to a credit against the State income
14 tax, financial institution franchise tax, public service company franchise tax, and
15 insurance premiums tax for the establishment or expansion of certain business
16 facilities in certain military reuse zones in the State.

17 BY adding to

18 Article 83A - Department of Business and Economic Development
19 Section 5-1101 through 5-1105 to be under the new subtitle "Subtitle 11. Military
20 Reuse Zones - Advanced Technology Job Creation Tax Credit"
21 Annotated Code of Maryland
22 (1995 Replacement Volume)

23 BY adding to

24 Article - Tax - General
25 Section 8-214, 8-411, and 10-704.4
26 Annotated Code of Maryland
27 (1988 Volume and 1995 Supplement)

28 BY adding to

29 Article 48A - Insurance Code
30 Section 632(e)
31 Annotated Code of Maryland
32 (1994 Replacement Volume and 1995 Supplement)

2

1 BY adding to
2 Article - Insurance
3 Section 6-114
4 Annotated Code of Maryland
5 (1995 Volume)
6 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

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

9 **Article 83A - Department of Business and Economic Development**

10 SUBTITLE 11. MILITARY REUSE ZONES - ADVANCED TECHNOLOGY JOB CREATION
11 TAX CREDIT.

12 5-1101.

13 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS
14 INDICATED.

15 (B) "ADVANCED TECHNOLOGY BUSINESS FACILITY" INCLUDES ANY FACILITY
16 OF AN ENTERPRISE AT WHICH THE ENTERPRISE ENGAGES IN ANY OF THE
17 FOLLOWING PRESENT OR EMERGING FIELDS:

18 (1) HEALTH CARE AND BIOMEDICAL RESEARCH;

19 (2) INFORMATION AND COMMUNICATION SYSTEMS;

20 (3) COMPUTING AND COMPUTER SERVICES;

21 (4) ELECTRONICS;

22 (5) MANUFACTURING;

23 (6) ROBOTICS AND MATERIALS RESEARCH;

24 (7) TRANSPORTATION AND AEROSPACE;

25 (8) AGRICULTURE AND BIOTECHNOLOGY; OR

26 (9) FINANCIAL SERVICES.

27 (C) "BUSINESS ENTITY" MEANS A PERSON CONDUCTING A TRADE OR
28 BUSINESS IN THE STATE.

29 (D) "CREDIT YEAR" MEANS ANY OF THE FIRST 3 TAXABLE YEARS FOLLOWING
30 THE TAXABLE YEAR IN WHICH AN ADVANCED TECHNOLOGY BUSINESS FACILITY
31 COMMENCED OR EXPANDED OPERATIONS.

32 (E) "MILITARY REUSE ZONE" MEANS AN AREA THAT IS WITHIN OR IS
33 PARTIALLY WITHIN AND PARTIALLY CONTIGUOUS TO A MILITARY FACILITY OR
34 OTHER ACTIVITY UNDER THE JURISDICTION OF THE UNITED STATES DEPARTMENT
35 OF DEFENSE THAT:

3

1 (1) HAS BEEN OR IS BEING CLOSED BY THE SECRETARY OF DEFENSE;

2 (2) HAS BEEN OR IS BEING TRANSFERRED TO THE STATE OR TO
3 ANOTHER PUBLIC ENTITY OR PRIVATE PERSON; AND

4 (3) THE SECRETARY OF THE DEPARTMENT OF BUSINESS AND
5 ECONOMIC DEVELOPMENT HAS DESIGNATED AS A MILITARY REUSE ZONE UNDER
6 THIS SUBTITLE.

7 (F) (1) "NEW PERMANENT FULL-TIME POSITION" MEANS :

8 (I) A JOB OF AN INDEFINITE DURATION THAT:

9 1. IS CREATED BY THE COMPANY AS A RESULT OF THE
10 ESTABLISHMENT OR EXPANSION OF AN ADVANCED TECHNOLOGY BUSINESS
11 FACILITY IN A MILITARY REUSE ZONE IN THE STATE; AND

12 2. REQUIRES A MINIMUM OF 35 HOURS OF AN EMPLOYEE'S
13 TIME PER WEEK FOR THE ENTIRE NORMAL YEAR OF THE COMPANY'S OPERATIONS,
14 WHICH "NORMAL YEAR" CONSISTS OF AT LEAST 48 WEEKS; OR

15 (II) A POSITION OF INDEFINITE DURATION THAT REQUIRES A
16 MINIMUM OF 35 HOURS OF AN EMPLOYEE'S TIME PER WEEK FOR THE PORTION OF
17 THE TAXABLE YEAR IN WHICH THE EMPLOYEE WAS INITIALLY HIRED FOR, OR
18 TRANSFERRED TO, THE ADVANCED TECHNOLOGY BUSINESS FACILITY IN A
19 MILITARY REUSE ZONE IN THE STATE.

20 (2) "NEW PERMANENT FULL-TIME POSITION" DOES NOT INCLUDE:

21 (I) A SEASONAL OR TEMPORARY POSITION; OR

22 (II) A JOB CREATED WHEN A JOB FUNCTION IS SHIFTED FROM AN
23 EXISTING LOCATION IN THIS STATE TO THE NEW OR EXPANDED ADVANCED
24 TECHNOLOGY BUSINESS FACILITY.

25 (G) "QUALIFIED BUSINESS ENTITY" MEANS A BUSINESS ENTITY THAT THE
26 DEPARTMENT HAS CERTIFIED AS HAVING ESTABLISHED OR EXPANDED AN
27 ADVANCED TECHNOLOGY BUSINESS FACILITY IN A MILITARY REUSE ZONE IN THE
28 STATE.

29 (H) "QUALIFIED FULL-TIME EMPLOYEE" MEANS AN EMPLOYEE FILLING A
30 NEW PERMANENT FULL-TIME POSITION IN AN ADVANCED TECHNOLOGY BUSINESS
31 FACILITY IN THE STATE.

32 5-1102.

33 (A) (1) THE SECRETARY MAY DESIGNATE AN AREA IN THE STATE AS A
34 MILITARY REUSE ZONE IF THE AREA IS WITHIN OR IS PARTIALLY WITHIN AND
35 PARTIALLY CONTIGUOUS TO A MILITARY FACILITY OR OTHER ACTIVITY UNDER
36 THE JURISDICTION OF THE UNITED STATES DEPARTMENT OF DEFENSE THAT:

37 (I) RECENTLY HAS BEEN OR IS BEING CLOSED BY THE SECRETARY
38 OF DEFENSE; AND

4

1 (II) HAS BEEN OR IS BEING TRANSFERRED TO THE STATE OR TO
2 ANOTHER PUBLIC ENTITY OR PRIVATE PERSON.

3 (2) THE SECRETARY SHALL SET A TERMINATION DATE FOR THE
4 DESIGNATION OF AN AREA AS A MILITARY REUSE ZONE THAT IS NOT MORE THAN 5
5 YEARS AFTER THE DATE THE AREA IS DESIGNATED AS A MILITARY REUSE ZONE.

6 (B) (1) THE DEPARTMENT SHALL CERTIFY A BUSINESS ENTITY AS
7 QUALIFYING FOR THE TAX CREDIT PROVIDED UNDER THIS SUBTITLE IF THE
8 BUSINESS ENTITY SATISFIES THE CRITERIA SET FORTH IN THIS SECTION.

9 (2) IF THE DEPARTMENT CERTIFIES A BUSINESS ENTITY AS A
10 QUALIFYING BUSINESS ENTITY, THE DEPARTMENT SHALL CERTIFY THE DATE ON
11 WHICH THE NEWLY ESTABLISHED OR EXPANDED ADVANCED TECHNOLOGY
12 BUSINESS FACILITY OF THE BUSINESS ENTITY COMMENCED OR EXPANDED
13 OPERATIONS IN A MILITARY REUSE ZONE IN THE STATE.

14 (C) TO QUALIFY FOR THE TAX CREDIT PROVIDED UNDER THIS SUBTITLE, A
15 BUSINESS ENTITY SHALL ESTABLISH OR EXPAND AN ADVANCED TECHNOLOGY
16 BUSINESS FACILITY IN A MILITARY REUSE ZONE IN THE STATE.

17 5-1103.

18 (A) (1) A QUALIFIED BUSINESS ENTITY MAY CLAIM A TAX CREDIT IN THE
19 AMOUNT DETERMINED UNDER THIS SECTION FOR THE ESTABLISHMENT OR
20 EXPANSION OF AN ADVANCED TECHNOLOGY BUSINESS FACILITY IN A MILITARY
21 REUSE ZONE IN THE STATE.

22 (2) THE SAME TAX CREDIT MAY NOT BE APPLIED MORE THAN ONCE
23 AGAINST DIFFERENT TAXES BY THE SAME TAXPAYER.

24 (B) (1) FOR ANY QUALIFIED BUSINESS ENTITY, THE CREDIT ALLOWED FOR
25 ANY CREDIT YEAR UNDER THIS SECTION EQUALS \$1,000 MULTIPLIED TIMES THE
26 NUMBER OF QUALIFIED FULL-TIME EMPLOYEES EMPLOYED DURING THE CREDIT
27 YEAR.

28 (2) THE PORTION OF THE CREDIT ALLOWED WITH RESPECT TO ANY
29 QUALIFIED FULL-TIME EMPLOYEE WHO IS EMPLOYED IN A MILITARY REUSE ZONE
30 IN THE STATE FOR LESS THAN 12 FULL MONTHS DURING THE CREDIT YEAR SHALL
31 BE DETERMINED BY MULTIPLYING THE CREDIT AMOUNT BY A FRACTION:

32 (I) THE NUMERATOR OF WHICH IS THE NUMBER OF FULL MONTHS
33 THAT THE QUALIFIED FULL-TIME EMPLOYEE WORKED FOR THE QUALIFIED
34 COMPANY IN THE MILITARY REUSE ZONE IN THE STATE DURING THE CREDIT YEAR;
35 AND

36 (II) THE DENOMINATOR OF WHICH IS 12.

37 (C) (1) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE
38 YEAR EXCEEDS THE TOTAL TAX OTHERWISE PAYABLE BY THE BUSINESS ENTITY
39 FOR THAT TAXABLE YEAR, A BUSINESS ENTITY MAY APPLY THE EXCESS AS A
40 CREDIT FOR SUCCEEDING YEARS UNTIL THE EARLIER OF:

5

1 (I) THE FULL AMOUNT OF THE EXCESS IS USED; OR

2 (II) THE EXPIRATION OF THE 10TH TAXABLE YEAR AFTER THE
3 CREDIT YEAR.

4 (2) IF A TAXPAYER IS ALLOWED ANOTHER CREDIT AGAINST A TAX
5 AGAINST WHICH THE CREDIT UNDER THIS SECTION IS ALLOWED OR HAS A CREDIT
6 CARRYOVER FROM A PRECEDING TAXABLE YEAR, THE TAXPAYER SHALL USE ANY
7 CREDIT THAT DOES NOT HAVE A CARRYOVER PROVISION, AND THEN ANY CREDIT
8 THAT IS CARRIED FORWARD FROM A PRECEDING TAXABLE YEAR, BEFORE USING
9 ANY CREDIT ALLOWED UNDER THIS SECTION.

10 (D) (1) IN THIS SUBSECTION, "RELATED PARTY" MEANS:

11 (I) A RELATED PERSON WITHIN THE MEANING OF § 267(B) OF THE
12 INTERNAL REVENUE CODE; OR

13 (II) A TRADE OR BUSINESS UNDER COMMON CONTROL WITHIN
14 THE MEANING OF § 52(B) OF THE INTERNAL REVENUE CODE.

15 (2) A BUSINESS ENTITY MAY NOT CLAIM THE CREDIT UNDER THIS
16 SECTION FOR ANY EMPLOYEE:

17 (I) FOR WHICH A CREDIT UNDER THIS SECTION WAS PREVIOUSLY
18 ALLOWED BY A RELATED PARTY;

19 (II) WHO WAS PREVIOUSLY EMPLOYED IN THE SAME JOB
20 FUNCTION IN MARYLAND BY A RELATED PARTY;

21 (III) WHOSE JOB FUNCTION WAS PREVIOUSLY PERFORMED AT A
22 DIFFERENT LOCATION IN MARYLAND BY AN EMPLOYEE OF THE BUSINESS ENTITY
23 OR A RELATED PARTY; OR

24 (IV) WHOSE JOB FUNCTION PREVIOUSLY QUALIFIED FOR A CREDIT
25 UNDER THIS SECTION AT A DIFFERENT ADVANCED TECHNOLOGY BUSINESS
26 FACILITY OF THE BUSINESS ENTITY OR A RELATED PARTY.

27 (E) (1) FOR ANY OF THE 5 TAXABLE YEARS SUCCEEDING A CREDIT YEAR,
28 IF THE NUMBER OF QUALIFIED FULL-TIME EMPLOYEES AT A MAJOR BUSINESS
29 FACILITY FOR WHICH THE CREDIT UNDER THIS SECTION HAS BEEN ALLOWED
30 DECREASES BELOW THE AVERAGE NUMBER OF QUALIFIED FULL-TIME EMPLOYEES
31 EMPLOYED DURING THE CREDIT YEAR, THE CREDIT SHALL BE RECAPTURED BY
32 INCREASING THE BUSINESS ENTITY'S TAX FOR THAT TAXABLE YEAR.

33 (2) THE AMOUNT RECAPTURED UNDER PARAGRAPH (1) OF THIS
34 SUBSECTION SHALL EQUAL THE DIFFERENCE BETWEEN:

35 (I) THE AMOUNT OF CREDIT PREVIOUSLY ALLOWED; AND

36 (II) THE AMOUNT OF THE CREDIT THAT WOULD HAVE BEEN
37 ALLOWED FOR THE ORIGINAL CREDIT YEAR USING THE DECREASED NUMBER OF
38 QUALIFIED FULL-TIME EMPLOYEES.

6

1 (3) ANY AMOUNTS RECAPTURED UNDER THIS SUBSECTION SHALL
2 FIRST REDUCE CREDITS ALLOWED BUT NOT YET CARRIED FORWARD BEFORE THE
3 TAXPAYER'S TAX LIABILITY MAY BE INCREASED.

4 5-1104.

5 THE DEPARTMENT IN COOPERATION WITH THE COMPTROLLER SHALL ADOPT
6 REGULATIONS TO ADMINISTER THE TAX CREDIT ALLOWED UNDER THIS SUBTITLE.

7 5-1105.

8 (A) THE PROVISIONS OF THIS SUBTITLE SHALL APPLY ONLY IN INSTANCES
9 WHERE AN ANNOUNCEMENT OF INTENT TO ESTABLISH OR EXPAND AN ADVANCED
10 TECHNOLOGY BUSINESS FACILITY IS MADE ON OR AFTER JANUARY 1, 1996.

11 (B) AN ANNOUNCEMENT OF INTENT TO ESTABLISH OR EXPAND AN
12 ADVANCED TECHNOLOGY BUSINESS FACILITY INCLUDES A PRESS CONFERENCE OR
13 EXTENSIVE PRESS COVERAGE, PROVIDING INFORMATION WITH RESPECT TO THE
14 IMPACT OF THE PROJECT ON THE ECONOMY OF THE AREA WHERE THE ADVANCED
15 TECHNOLOGY BUSINESS FACILITY IS TO BE ESTABLISHED OR EXPANDED AND THE
16 STATE AS A WHOLE.

17 **Article - Tax - General**

18 8-214.

19 A FINANCIAL INSTITUTION MAY CLAIM A CREDIT AGAINST THE FINANCIAL
20 INSTITUTION FRANCHISE TAX FOR THE ESTABLISHMENT OR EXPANSION OF AN
21 ADVANCED TECHNOLOGY BUSINESS FACILITY IN THE STATE AS PROVIDED UNDER
22 ARTICLE 83A, § 5-1103 OF THE CODE.

23 8-411.

24 A PUBLIC SERVICE COMPANY MAY CLAIM A CREDIT AGAINST THE PUBLIC
25 SERVICE COMPANY FRANCHISE TAX FOR THE ESTABLISHMENT OR EXPANSION OF
26 AN ADVANCED TECHNOLOGY BUSINESS FACILITY IN THE STATE AS PROVIDED
27 UNDER ARTICLE 83A, § 5-1103 OF THE CODE.

28 10-704.4.

29 AN INDIVIDUAL OR CORPORATION MAY CLAIM A CREDIT AGAINST THE STATE
30 INCOME TAX FOR THE ESTABLISHMENT OR EXPANSION OF AN ADVANCED
31 TECHNOLOGY BUSINESS FACILITY IN THE STATE AS PROVIDED UNDER ARTICLE 83A,
32 § 5-1103 OF THE CODE.

33 **Article 48A - Insurance Code**

34 632.

35 (E) AN INSURANCE COMPANY MAY CLAIM A CREDIT AGAINST THE PREMIUM
36 TAX FOR THE ESTABLISHMENT OR EXPANSION OF AN ADVANCED TECHNOLOGY
37 BUSINESS FACILITY IN THE STATE AS PROVIDED UNDER ARTICLE 83A, § 5-1103 OF
38 THE CODE.

7

1 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
2 read as follows:

3 **Article - Insurance**

4 6-114.

5 AN INSURANCE COMPANY MAY CLAIM A CREDIT AGAINST THE PREMIUM TAX
6 FOR THE ESTABLISHMENT OR EXPANSION OF AN ADVANCED TECHNOLOGY
7 BUSINESS FACILITY IN THE STATE AS PROVIDED UNDER ARTICLE 83A, § 5-1103 OF
8 THE CODE.

9 SECTION 3. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall
10 take effect October 1, 1997.

11 SECTION 4. AND BE IT FURTHER ENACTED, That except as provided in
12 Section 3 of this Act, this Act shall take effect July 1, 1996.