

HOUSE BILL 4

Q3
HB 1616/06 – W&M

(PRE-FILED)

71r0561

By: **Delegate Ramirez**

Requested: November 14, 2006

Introduced and read first time: January 10, 2007

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax Credit for Restaurants in Arts and Entertainment Districts**

3 FOR the purpose of providing a credit against the State income tax for a taxpayer
4 operating a restaurant in certain designated areas under certain circumstances;
5 providing for a limited duration for the credit; providing for a reduction of the
6 allowable amount of the credit over a certain time duration; providing for the
7 carryover of certain unused credit under certain circumstances; defining certain
8 terms; providing for the application of this Act; and generally relating to an
9 income tax credit for restaurants in certain designated areas.

10 BY adding to

11 Article – Tax – General

12 Section 10–726

13 Annotated Code of Maryland

14 (2004 Replacement Volume and 2006 Supplement)

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

17 **Article – Tax – General**

18 **10–726.**

19 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE
20 MEANINGS INDICATED.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 **(2) “ARTISTIC WORK”, “ARTS AND ENTERTAINMENT DISTRICT”,**
2 **AND “QUALIFYING RESIDING ARTIST” HAVE THE MEANINGS STATED IN ARTICLE**
3 **83A, § 4-701 OF THE CODE.**

4 **(3) “RESTAURANT” MEANS AN ESTABLISHMENT THAT:**

5 **(I) ACCOMMODATES THE PUBLIC;**

6 **(II) IS EQUIPPED WITH A DINING ROOM WITH FACILITIES**
7 **FOR PREPARING AND SERVING REGULAR MEALS; AND**

8 **(III) EMPLOYS WAITSTAFF FOR SERVING REGULAR MEALS.**

9 **(B) (1) SUBJECT TO SUBSECTION (C) OF THIS SECTION, AN**
10 **INDIVIDUAL OR A CORPORATION MAY CLAIM A CREDIT AGAINST THE STATE**
11 **INCOME TAX IF THE INDIVIDUAL OR CORPORATION:**

12 **(I) OPENS AND OPERATES A RESTAURANT IN AN ARTS AND**
13 **ENTERTAINMENT DISTRICT ON OR AFTER JULY 1, 2007; OR**

14 **(II) ON OR AFTER JULY 1, 2007, CONTINUES TO OPERATE A**
15 **RESTAURANT WITH A MICROBREWERY LICENSE IN AN ARTS AND**
16 **ENTERTAINMENT DISTRICT THAT WAS OPENED BEFORE JULY 1, 2007.**

17 **(2) THE TAX CREDIT UNDER THIS SECTION MAY BE CLAIMED:**

18 **(I) FOR AN INDIVIDUAL OR CORPORATION THAT OPENS**
19 **AND OPERATES A RESTAURANT IN AN ARTS AND ENTERTAINMENT DISTRICT,**
20 **FOR 5 CONSECUTIVE TAXABLE YEARS BEGINNING WITH THE FIRST TAXABLE**
21 **YEAR THAT THE TAXPAYER OPENS AND OPERATES THE RESTAURANT; OR**

22 **(II) FOR AN INDIVIDUAL OR CORPORATION THAT**
23 **CONTINUES TO OPERATE A RESTAURANT WITH A MICROBREWERY LICENSE IN**
24 **AN ARTS AND ENTERTAINMENT DISTRICT THAT WAS OPENED BEFORE JULY 1,**
25 **2007, FOR 5 CONSECUTIVE TAXABLE YEARS BEGINNING WITH THE TAXABLE**
26 **YEAR BEGINNING AFTER DECEMBER 31, 2006.**

1 **(C) (1) TO BE ELIGIBLE FOR THE TAX CREDIT UNDER THIS SECTION,**
2 **A RESTAURANT SHALL EXHIBIT FOR SALE ARTISTIC WORKS OF QUALIFYING**
3 **RESIDING ARTISTS OF THE ARTS AND ENTERTAINMENT DISTRICT.**

4 **(2) (I) THE CREDIT AUTHORIZED UNDER THIS SECTION MAY**
5 **ONLY BE CLAIMED AGAINST THE TAXPAYER'S STATE INCOME TAX LIABILITY**
6 **ATTRIBUTABLE TO INCOME DERIVED FROM THE RESTAURANT, IN AN AMOUNT**
7 **EQUAL TO THE PERCENTAGES STATED IN SUBPARAGRAPH (II) OF THIS**
8 **PARAGRAPH.**

9 **(II) THE CREDIT MAY BE CLAIMED IN AN AMOUNT EQUAL TO**
10 **THE FOLLOWING PERCENTAGES:**

- 11 **1. 50% IN THE FIRST TAXABLE YEAR;**
- 12 **2. 40% IN THE SECOND TAXABLE YEAR;**
- 13 **3. 30% IN THE THIRD TAXABLE YEAR;**
- 14 **4. 20% IN THE FOURTH TAXABLE YEAR; AND**
- 15 **5. 10% IN THE FIFTH TAXABLE YEAR.**

16 **(D) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE**
17 **YEAR EXCEEDS THE STATE INCOME TAX FOR THAT TAXABLE YEAR, AN**
18 **INDIVIDUAL OR CORPORATION MAY APPLY THE EXCESS AS A CREDIT AGAINST**
19 **THE STATE INCOME TAX FOR SUCCEEDING TAXABLE YEARS UNTIL THE EARLIER**
20 **OF:**

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

22 **(2) THE EXPIRATION OF THE THIRD TAXABLE YEAR AFTER THE**
23 **TAXABLE YEAR IN WHICH THE CREDIT WAS EARNED.**

24 **SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect**
25 **July 1, 2007, and shall be applicable to all taxable years beginning after December 31,**
26 **2006.**