

HOUSE BILL 620

Q3, Q7

11r2315

By: **Delegate Frick**

Introduced and read first time: February 9, 2011

Assigned to: Ways and Means

Committee Report: Favorable

House action: Adopted

Read second time: March 24, 2011

CHAPTER _____

1 AN ACT concerning

2 **Tax Credit Evaluation Act**

3 FOR the purpose of establishing a legislative review and evaluation process for certain
4 credits allowed against certain taxes; establishing dates for review and other
5 legislative action with regard to certain tax credits; providing for termination of
6 certain tax credits under certain circumstances; repealing certain obsolete tax
7 credits; providing for the construction of certain provisions of this Act; providing
8 for a delayed effective date for certain provisions of this Act; and generally
9 relating to a legislative review and evaluation process for certain credits
10 allowed against certain taxes.

11 BY adding to

12 Article – Tax – General

13 Section 1–301 through 1–311 to be under the new subtitle “Subtitle 3. Tax
14 Credit Evaluation Act”

15 Annotated Code of Maryland

16 (2010 Replacement Volume)

17 BY repealing

18 Article – Labor and Employment

19 Section 11–1101 through 11–1107 and the subtitle “Subtitle 11. Job Creation
20 and Recovery Tax Credit”

21 Annotated Code of Maryland

22 (2008 Replacement Volume and 2010 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 BY repealing
2 Article – Tax – General
3 Section 10–704.9, 10–713, 10–719, and 10–728
4 Annotated Code of Maryland
5 (2010 Replacement Volume)

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

8 **Article – Tax – General**

9 **SUBTITLE 3. TAX CREDIT EVALUATION ACT.**

10 **1–301.**

11 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS
12 INDICATED.

13 (B) “EVALUATION” MEANS THE PROCESS OF LEGISLATIVE REVIEW OF A
14 TAX CREDIT FOR WHICH THIS SUBTITLE PROVIDES.

15 (C) “EVALUATION COMMITTEE” MEANS A COMMITTEE THAT IS
16 APPOINTED TO CARRY OUT AN EVALUATION.

17 (D) “EVALUATION DATE” MEANS THE DATE ON WHICH AN EVALUATION
18 OF A TAX CREDIT IS TO BE COMPLETED.

19 (E) “TAX CREDIT” MEANS:

20 (1) A CREDIT ALLOWED AGAINST THE PUBLIC SERVICE COMPANY
21 FRANCHISE TAX UNDER § 8–406(B), § 8–411, § 8–412, § 8–413, OR § 8–415 OF
22 THIS ARTICLE;

23 (2) A CREDIT ALLOWED AGAINST THE INCOME TAX UNDER TITLE
24 10, SUBTITLE 7 OF THIS ARTICLE, NOT INCLUDING A CREDIT ALLOWED UNDER §
25 10–701 OR § 10–701.1 OF THIS ARTICLE;

26 (3) A CREDIT ALLOWED AGAINST THE INSURANCE PREMIUM TAX
27 UNDER TITLE 6, SUBTITLE 1 OF THE INSURANCE ARTICLE;

28 (4) A CREDIT ALLOWED UNDER TITLE 6, SUBTITLE 3 OR
29 SUBTITLE 4 OF THE ECONOMIC DEVELOPMENT ARTICLE;

1 **(5) A CREDIT ALLOWED UNDER § 21-309 OR § 21-501 OF THE**
2 **EDUCATION ARTICLE;**

3 **(6) THE CREDIT ALLOWED UNDER § 2-901 OF THE ENVIRONMENT**
4 **ARTICLE;**

5 **(7) THE CREDIT ALLOWED UNDER § 6-404 OF THE HOUSING AND**
6 **COMMUNITY DEVELOPMENT ARTICLE;**

7 **(8) THE CREDIT ALLOWED UNDER § 11-404 OF THE LABOR AND**
8 **EMPLOYMENT ARTICLE;**

9 **(9) THE CREDIT ALLOWED UNDER § 5A-303 OF THE STATE**
10 **FINANCE AND PROCUREMENT ARTICLE; AND**

11 **(10) A CREDIT ALLOWED UNDER § 9-103, § 9-230, § 9-317(E), §**
12 **9-318(D), OR § 9-326 OF THE TAX – PROPERTY ARTICLE.**

13 **1-302.**

14 **THE PURPOSES OF THIS SUBTITLE ARE TO:**

15 **(1) ESTABLISH A SYSTEM OF LEGISLATIVE REVIEW THAT WILL**
16 **DETERMINE WHETHER A TAX CREDIT IS NECESSARY FOR THE PUBLIC INTEREST;**
17 **AND**

18 **(2) ENSURE THAT THE LEGISLATIVE REVIEW TAKES PLACE BY**
19 **ESTABLISHING, BY STATUTE, DATES FOR REVIEW AND OTHER LEGISLATIVE**
20 **ACTION.**

21 **1-303.**

22 **(A) ON OR BEFORE JULY 1, 2012, AN EVALUATION SHALL BE MADE OF**
23 **THE TAX CREDITS UNDER:**

24 **(1) § 10-702 OF THIS ARTICLE (WAGES PAID IN AN ENTERPRISE**
25 **ZONE) AND § 9-103 OF THE TAX – PROPERTY ARTICLE (QUALIFIED PROPERTY**
26 **IN AN ENTERPRISE ZONE);**

27 **(2) § 10-703 OF THIS ARTICLE (TAX PAID BY INDIVIDUAL TO**
28 **ANOTHER STATE);**

1 **(3) § 10-703.2 OF THIS ARTICLE (TAX PAID BY INDIVIDUAL TO**
2 **ANOTHER STATE ON INSTALLMENT SALE);**

3 **(4) § 10-704 OF THIS ARTICLE (EARNED INCOME);**

4 **(5) §§ 8-406(B) AND 10-704.1 OF THIS ARTICLE (PURCHASE OF**
5 **MARYLAND-MINED COAL);**

6 **(6) TITLE 6, SUBTITLE 3 OF THE ECONOMIC DEVELOPMENT**
7 **ARTICLE, § 6-114 OF THE INSURANCE ARTICLE, AND §§ 8-411 AND 10-704.4 OF**
8 **THIS ARTICLE (JOB CREATION);**

9 **(7) § 5A-303 OF THE STATE FINANCE AND PROCUREMENT**
10 **ARTICLE, § 6-105.2 OF THE INSURANCE ARTICLE, AND § 10-704.5 OF THIS**
11 **ARTICLE (SUSTAINABLE COMMUNITIES); AND**

12 **(8) § 6-404 OF THE HOUSING AND COMMUNITY DEVELOPMENT**
13 **ARTICLE, § 6-105 OF THE INSURANCE ARTICLE, AND §§ 8-412 AND 10-704.6 OF**
14 **THIS ARTICLE (NEIGHBORHOOD AND COMMUNITY ASSISTANCE**
15 **CONTRIBUTIONS).**

16 **(B) ON OR BEFORE JULY 1, 2013, AN EVALUATION SHALL BE MADE OF**
17 **THE TAX CREDITS UNDER:**

18 **(1) § 21-309 OF THE EDUCATION ARTICLE, § 6-115 OF THE**
19 **INSURANCE ARTICLE, AND §§ 8-413 AND 10-704.7 OF THIS ARTICLE**
20 **(QUALIFIED EMPLOYEES WITH DISABILITIES);**

21 **(2) § 11-704 OF THE LABOR AND EMPLOYMENT ARTICLE AND §**
22 **10-704.10 OF THIS ARTICLE (QUALIFIED EX-FELON EMPLOYEES);**

23 **(3) § 9-230 OF THE TAX - PROPERTY ARTICLE, § 6-116 OF THE**
24 **INSURANCE ARTICLE, AND § 10-704.8 OF THIS ARTICLE (NEW JOB CREATING**
25 **BUSINESSES);**

26 **(4) §§ 9-317(E), 9-318(D), AND 9-326 OF THE TAX - PROPERTY**
27 **ARTICLE AND § 10-707 OF THIS ARTICLE (RESIDENTIAL REAL ESTATE**
28 **PROPERTY);**

29 **(5) § 10-708 OF THIS ARTICLE (TELECOMMUNICATION**
30 **BUSINESS);**

31 **(6) § 10-709 OF THIS ARTICLE (LOW INCOME); AND**

1 (7) § 6-117 OF THE INSURANCE ARTICLE AND §§ 8-415 AND
2 10-710 OF THIS ARTICLE (EMPLOYER-PROVIDED LONG-TERM CARE
3 INSURANCE).

4 (C) ON OR BEFORE JULY 1, 2014, AN EVALUATION SHALL BE MADE OF
5 THE TAX CREDITS UNDER:

6 (1) § 21-501 OF THE EDUCATION ARTICLE, § 6-118 OF THE
7 INSURANCE ARTICLE, AND § 10-711 OF THIS ARTICLE (WORK-BASED
8 LEARNING);

9 (2) TITLE 6, SUBTITLE 4 OF THE ECONOMIC DEVELOPMENT
10 ARTICLE, § 6-119 OF THE INSURANCE ARTICLE, AND § 10-714 OF THIS ARTICLE
11 (ONE MARYLAND ECONOMIC DEVELOPMENT);

12 (3) § 2-901 OF THE ENVIRONMENT ARTICLE, § 6-120 OF THE
13 INSURANCE ARTICLE, AND § 10-715 OF THIS ARTICLE (EMPLOYEE COMMUTER
14 BENEFITS);

15 (4) § 10-716 OF THIS ARTICLE (CHILD CARE OR DEPENDENT
16 CARE);

17 (5) § 10-717 OF THIS ARTICLE (CLASSROOM TEACHER ADVANCED
18 EDUCATION);

19 (6) § 10-718 OF THIS ARTICLE (LONG-TERM CARE PREMIUMS);
20 AND

21 (7) § 10-720 OF THIS ARTICLE (ELECTRICITY PRODUCED FROM
22 QUALIFIED ENERGY RESOURCES).

23 (D) ON OR BEFORE JULY 1, 2015, AN EVALUATION SHALL BE MADE OF
24 THE TAX CREDITS UNDER:

25 (1) § 10-721 OF THIS ARTICLE (QUALIFIED RESEARCH AND
26 DEVELOPMENT EXPENSES);

27 (2) § 10-722 OF THIS ARTICLE (GREEN BUILDINGS);

28 (3) § 10-723 OF THIS ARTICLE (PRESERVATION AND
29 CONSERVATION EASEMENTS);

1 (4) § 10-724 OF THIS ARTICLE (AQUACULTURE OYSTER FLOATS);

2 (5) § 10-725 OF THIS ARTICLE (BIOTECHNOLOGY INVESTMENT
3 INCENTIVE);

4 (6) § 10-726 OF THIS ARTICLE (CELLULOSIC ETHANOL
5 TECHNOLOGY); AND

6 (7) § 10-727 OF THIS ARTICLE (BIO-HEATING OIL).

7 **1-304.**

8 (A) EVALUATION OF A TAX CREDIT SHALL BE COMPLETED BY AN
9 EVALUATION COMMITTEE APPOINTED JOINTLY BY THE PRESIDENT OF THE
10 SENATE AND THE SPEAKER OF THE HOUSE.

11 (B) EACH EVALUATION COMMITTEE FOR A TAX CREDIT SHALL BE
12 APPOINTED ON OR BEFORE MAY 31 OF THE YEAR BEFORE THE EVALUATION
13 DATE OF THAT TAX MODIFICATION OR TAX EXEMPTION.

14 (C) AN EVALUATION COMMITTEE SHALL INCLUDE AT LEAST ONE
15 MEMBER OF THE SENATE BUDGET AND TAXATION COMMITTEE AND AT LEAST
16 ONE MEMBER OF THE HOUSE COMMITTEE ON WAYS AND MEANS.

17 **1-305.**

18 ON OR BEFORE JUNE 30 OF THE YEAR BEFORE THE EVALUATION DATE OF
19 A TAX CREDIT, EACH EVALUATION COMMITTEE FOR THAT TAX CREDIT SHALL:

20 (1) CONSULT WITH:

21 (I) THE DEPARTMENT OF BUDGET AND MANAGEMENT;

22 (II) THE DEPARTMENT OF LEGISLATIVE SERVICES; AND

23 (III) THE COMPTROLLER; AND

24 (2) PREPARE A PLAN FOR THE EVALUATION.

25 **1-306.**

26 DURING AN EVALUATION, THE COMPTROLLER AND THE DEPARTMENT OF
27 BUDGET AND MANAGEMENT SHALL:

1 (1) PROVIDE PROMPTLY ANY INFORMATION THAT THE
2 DEPARTMENT OF LEGISLATIVE SERVICES OR AN EVALUATION COMMITTEE
3 REQUESTS; AND

4 (2) OTHERWISE COOPERATE WITH THE DEPARTMENT OF
5 LEGISLATIVE SERVICES AND THE EVALUATION COMMITTEE.

6 1-307.

7 (A) (1) SUBJECT TO § 2-1246 OF THE STATE GOVERNMENT ARTICLE,
8 ON OR BEFORE OCTOBER 31 OF THE YEAR BEFORE THE EVALUATION DATE OF A
9 TAX CREDIT, THE DEPARTMENT OF LEGISLATIVE SERVICES SHALL SUBMIT TO
10 THE GENERAL ASSEMBLY AN EVALUATION REPORT ON THE TAX CREDIT.

11 (2) THE DEPARTMENT OF LEGISLATIVE SERVICES SHALL MAKE
12 COPIES OF THE REPORT AVAILABLE TO THE PUBLIC.

13 (B) THE REPORT REQUIRED UNDER SUBSECTION (A) OF THIS SECTION
14 SHALL DISCUSS:

15 (1) THE PURPOSE FOR WHICH THE TAX CREDIT WAS
16 ESTABLISHED;

17 (2) WHETHER THE ORIGINAL INTENT OF THE TAX CREDIT IS STILL
18 APPROPRIATE;

19 (3) WHETHER THE TAX CREDIT IS MEETING ITS OBJECTIVES;

20 (4) WHETHER THE PURPOSES OF THE TAX CREDIT COULD BE
21 MORE EFFICIENTLY AND EFFECTIVELY CARRIED OUT THROUGH ALTERNATIVE
22 METHODS;

23 (5) THE COSTS OF PROVIDING THE TAX CREDIT, INCLUDING THE
24 ADMINISTRATIVE COST TO THE STATE AND LOST REVENUES TO THE STATE AND
25 LOCAL GOVERNMENTS; AND

26 (6) THE NUMBER OF THE BENEFICIARIES OF THE TAX CREDIT
27 AND DISTRIBUTION OF THE BENEFIT OF THE TAX CREDIT BY INCOME CLASS.

28 1-308.

1 **ON OR BEFORE DECEMBER 14 OF THE YEAR BEFORE THE EVALUATION**
2 **DATE OF A TAX CREDIT, THE EVALUATION COMMITTEE SHALL HOLD A PUBLIC**
3 **HEARING TO RECEIVE, FROM THE COMPTROLLER AND THE PUBLIC, TESTIMONY**
4 **REGARDING THE EVALUATION REPORT.**

5 **1-309.**

6 **(A) SUBJECT TO § 2-1246 OF THE STATE GOVERNMENT ARTICLE, ON**
7 **OR BEFORE THE 20TH DAY OF THE REGULAR SESSION OF THE GENERAL**
8 **ASSEMBLY IN THE YEAR OF THE EVALUATION DATE OF A TAX CREDIT, THE**
9 **EVALUATION COMMITTEE FOR THE TAX CREDIT SHALL SUBMIT A REPORT TO**
10 **THE GENERAL ASSEMBLY.**

11 **(B) (1) THE REPORT REQUIRED UNDER SUBSECTION (A) SHALL**
12 **RECOMMEND WHETHER THE TAX CREDIT SHOULD BE REESTABLISHED, WITH OR**
13 **WITHOUT CHANGES, OR ALLOWED TO TERMINATE.**

14 **(2) THE REPORT SHALL BE ACCOMPANIED BY EACH BILL THAT IS**
15 **NEEDED TO ACCOMPLISH THE RECOMMENDATIONS IN THE REPORT.**

16 **1-310.**

17 **(A) NOTWITHSTANDING ANY OTHER PROVISION OF LAW, IF A TAX**
18 **CREDIT IS NOT REESTABLISHED BY LAW ON OR BEFORE THE DATE FOR ITS**
19 **EVALUATION UNDER § 1-303 OF THIS SUBTITLE, IT SHALL TERMINATE.**

20 **(B) THE REESTABLISHMENT OF A TAX CREDIT DESIGNATED FOR**
21 **EVALUATION UNDER THIS SUBTITLE IS FOR A 5-YEAR PERIOD AND IS SUBJECT**
22 **TO EVALUATION AGAIN 5 YEARS AFTER THE PREVIOUS EVALUATION, UNLESS**
23 **THE LAW THAT PROVIDES FOR REESTABLISHMENT SETS ANOTHER PERIOD.**

24 **(C) AFTER THE PERIOD OF REESTABLISHMENT EXPIRES, THE TAX**
25 **CREDIT TERMINATES AS PROVIDED BY LAW UNLESS THE TAX CREDIT IS**
26 **REESTABLISHED AGAIN.**

27 **1-311.**

28 **THIS SUBTITLE MAY BE CITED AS THE “TAX CREDIT EVALUATION ACT”.**

29 **SECTION 2. AND BE IT FURTHER ENACTED, That Section(s) 11-1101**
30 **through 11-1107 and the subtitle “Subtitle 11. Job Creation and Recovery Tax Credit”**
31 **of Article – Labor and Employment of the Annotated Code of Maryland be repealed.**

1 SECTION 3. AND BE IT FURTHER ENACTED, That Section(s) 10-704.9,
2 10-713, 10-719, and 10-728 of Article - Tax - General of the Annotated Code of
3 Maryland be repealed.

4 SECTION 4. AND BE IT FURTHER ENACTED, That the termination of a
5 credit in accordance with the provisions of Title 1, Subtitle 3 of the Tax - General
6 Article as enacted by Section 1 of this Act or the repeal of an obsolete tax credit under
7 Section 2 or 3 of this Act may not be construed to prevent the filing of a tax return
8 after the date of the repeal of the credit in accordance with the provisions of law
9 governing the credit as in effect immediately before the date of the termination or
10 repeal of the credit, to claim or carry forward a credit earned before the date of the
11 termination or repeal of the credit.

12 SECTION 5. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall
13 take effect July 1, 2012.

14 SECTION 6. AND BE IT FURTHER ENACTED, That, except as provided in
15 Section 5 of this Act, this Act shall take effect July 1, 2011.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.