

HOUSE BILL 742

C8, F2, Q2

4r2756
CF SB 600

By: Delegates Walker, Barnes, Barve, Beidle, Bohanan, Branch, Braveboy, Bromwell, Busch, Cane, Cardin, Carter, Clagett, Conway, Cullison, Davis, DeBoy, Donoghue, Dumais, Frick, Frush, Gaines, Griffith, Guzzone, Hammen, Haynes, Healey, Hixson, Holmes, Howard, Hubbard, Ivey, James, Jameson, Jones, Kaiser, A. Kelly, Lafferty, Luedtke, Malone, McHale, McIntosh, A. Miller, Morhaim, Niemann, Oaks, Olszewski, Pena-Melnyk, Pendergrass, Proctor, B. Robinson, Rudolph, Stein, F. Turner, V. Turner, Valderrama, Valentino-Smith, Vallario, Vaughn, Waldstreicher, A. Washington, Weir, Wilson, and Zucker

Introduced and read first time: February 3, 2014

Assigned to: Ways and Means

A BILL ENTITLED

AN ACT concerning

Regional Institution Strategic Enterprise Zone Program

FOR the purpose of establishing the Regional Institution Strategic Enterprise Zone Program to access institutional assets that have a strong and demonstrated history of commitment to economic development and revitalization in the communities in which they are located; authorizing certain public schools or institutions of higher education that meet certain criteria to apply to the Secretary of Business and Economic Development to be designated as a qualified institution; authorizing a qualified institution to apply to the Secretary to have a certain area of the State designated as a Regional Institution Strategic Enterprise zone; requiring the Secretary to approve or reject a zone application within a certain number of days on or after a certain date after the application is submitted; requiring the Secretary to provide certain notice a certain number of days before approving or rejecting an application; requiring the Secretary to assign a zone a business development concierge; requiring the business development concierge to assist entities locating in a zone with certain activities; authorizing a business entity that locates in a zone to receive certain tax incentives and financial assistance; requiring the governing body of a county or municipal corporation to grant a property tax credit on a certain assessment of qualified properties located in the zone; providing for the amount of the credit; requiring the State Department of Assessments and Taxation to allocate the amount of credit based on the use of the property; providing for an enhanced credit for properties located in certain

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



enterprise zones or certain focus areas; providing that the credit may not be claimed for more than a certain number of years; requiring the Secretary to make certain certifications; requiring the State Department of Assessments and Taxation to submit a certain list to the Secretary; allowing entities locating in certain zones to alter the calculation of a certain Maryland income tax modification for depreciation of certain property to provide an additional allowance for the taxable year the property is placed in service; making entities that locate in certain zones eligible to claim certain income tax credits for entities that employ qualified individuals in enterprise zones or focus areas; authorizing and requiring the Secretary to adopt certain regulations; defining certain terms; and generally relating to the creation of the Regional Institution Strategic Enterprise Zone Program.

BY repealing and reenacting, with amendments,

Article – Economic Development
Section 5–102(9) and (10)
Annotated Code of Maryland
(2008 Volume and 2013 Supplement)

BY adding to

Article – Economic Development
Section 5–102(10); and 5–1401 through 5–1406 to be under the new subtitle
“Subtitle 14. Regional Institution Strategic Enterprise Zone Program”
Annotated Code of Maryland
(2008 Volume and 2013 Supplement)

BY adding to

Article – Tax – Property
Section 9–103.1
Annotated Code of Maryland
(2012 Replacement Volume and 2013 Supplement)

BY adding to

Article – Tax – General
Section 10–210.1(c)
Annotated Code of Maryland
(2010 Replacement Volume and 2013 Supplement)

BY repealing and reenacting, without amendments,

Article – Tax – General
Section 10–310
Annotated Code of Maryland
(2010 Replacement Volume and 2013 Supplement)

BY repealing and reenacting, with amendments,

Article – Tax – General
Section 10–702

Annotated Code of Maryland
(2010 Replacement Volume and 2013 Supplement)

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

Article – Economic Development

5–102.

The Department shall administer the State’s economic development and financial assistance programs and funds including:

(9) jointly with the Department of Housing and Community Development, the Community Development Block Grant for Economic Development; [and]

(10) THE REGIONAL INSTITUTION STRATEGIC ENTERPRISE ZONE PROGRAM UNDER SUBTITLE 14 OF THIS TITLE; AND

[(10)] **(11)** any other programs or funds designated by statute, the Governor, or the Secretary.

SUBTITLE 14. REGIONAL INSTITUTION STRATEGIC ENTERPRISE ZONE PROGRAM.

5–1401.

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

(B) “AREA” MEANS A GEOGRAPHIC AREA IN ONE OR MORE POLITICAL SUBDIVISIONS IN THE STATE DESCRIBED BY A CLOSED PERIMETER BOUNDARY.

(C) “NONPROFIT ORGANIZATION” MEANS AN ORGANIZATION THAT IS EXEMPT OR ELIGIBLE FOR EXEMPTION FROM TAXATION UNDER § 501(C)(3) OF THE INTERNAL REVENUE CODE.

(D) “PUBLIC SCHOOL” HAS THE MEANING STATED IN § 1–101 OF THE EDUCATION ARTICLE.

(E) “QUALIFIED INSTITUTION” MEANS AN ENTITY THAT IS DESIGNATED AS A QUALIFIED INSTITUTION UNDER § 5–1403 OF THIS SUBTITLE AND MAY INCLUDE:

(1) A PUBLIC SCHOOL;

(2) A NONPROFIT ORGANIZATION THAT IS AFFILIATED WITH NEW CONSTRUCTION OR RENOVATION OF A PUBLIC SCHOOL;

(3) AN INSTITUTION OF HIGHER EDUCATION AS DEFINED UNDER § 10-101 OF THE EDUCATION ARTICLE; OR

(4) A NONPROFIT ORGANIZATION THAT IS AFFILIATED WITH A FEDERAL AGENCY.

(F) “RISE ZONE” MEANS AN AREA THAT MEETS THE REQUIREMENTS OF § 5-1404 OF THIS SUBTITLE AND IS DESIGNATED AS A RISE ZONE BY THE SECRETARY UNDER § 5-1404 OF THIS SUBTITLE.

5-1402.

THE PURPOSE OF THE REGIONAL INSTITUTION STRATEGIC ENTERPRISE ZONE PROGRAM IS TO ACCESS INSTITUTIONAL ASSETS THAT HAVE A STRONG AND DEMONSTRATED HISTORY OF COMMITMENT TO ECONOMIC DEVELOPMENT AND REVITALIZATION IN THE COMMUNITIES IN WHICH THEY ARE LOCATED.

5-1403.

(A) AN INSTITUTION MAY APPLY TO THE SECRETARY TO BE DESIGNATED AS A QUALIFIED INSTITUTION.

(B) TO BE ELIGIBLE FOR DESIGNATION AS A QUALIFIED INSTITUTION, THE APPLICANT SHALL:

(1) EVIDENCE AN INTENTION:

(I) TO MAKE A SIGNIFICANT FINANCIAL INVESTMENT OR COMMITMENT IN AN AREA OF THE STATE THAT THE APPLICANT INTENDS TO BECOME A RISE ZONE;

(II) TO USE THE RESOURCES AND EXPERTISE OF THE APPLICANT TO SPUR ECONOMIC DEVELOPMENT AND COMMUNITY REVITALIZATION IN AN AREA OF THE STATE THAT THE APPLICANT INTENDS TO BECOME A RISE ZONE; AND

(III) TO CREATE A SIGNIFICANT NUMBER OF NEW JOBS WITHIN AN AREA OF THE STATE THAT THE APPLICANT INTENDS TO BECOME A RISE ZONE;

(2) HAVE A DEMONSTRATED HISTORY OF COMMUNITY INVOLVEMENT AND ECONOMIC DEVELOPMENT WITHIN THE COMMUNITIES THAT THE APPLICANT SERVES; AND

(3) MEET THE MINIMUM FINANCIAL QUALIFICATIONS ESTABLISHED BY THE SECRETARY.

(C) IF THE APPLICANT IS A NONPROFIT ORGANIZATION, THE APPLICATION SHALL DEMONSTRATE AND ESTABLISH AN AFFILIATION WITH:

(1) A FEDERAL AGENCY; OR

(2) THE PROPOSED CONSTRUCTION OR RENOVATION OF A PUBLIC SCHOOL.

(D) (1) IN ADDITION TO THE REQUIREMENTS UNDER SUBSECTION (B) OF THIS SECTION, THE SECRETARY MAY ESTABLISH BY REGULATION ANY OTHER REQUIREMENTS NECESSARY AND APPROPRIATE IN ORDER FOR AN APPLICANT TO BE DESIGNATED AS A QUALIFIED INSTITUTION.

(2) THE SECRETARY SHALL ADOPT REGULATIONS THAT ESTABLISH FACTORS FOR EVALUATING APPLICATIONS UNDER SUBSECTION (B) OF THIS SECTION.

(E) IN THE FORM AND CONTENT ACCEPTABLE TO THE SECRETARY, AN APPLICANT SHALL SUBMIT TO THE SECRETARY AN APPLICATION THAT CONTAINS THE INFORMATION THAT THE SECRETARY CONSIDERS NECESSARY TO EVALUATE THE REQUEST FOR DESIGNATION AS A QUALIFIED INSTITUTION.

5-1404.

(A) ON OR AFTER JULY 1, 2015, A QUALIFIED INSTITUTION MAY APPLY TO THE SECRETARY TO DESIGNATE AN AREA AS A RISE ZONE.

(B) THE APPLICATION SHALL:

(1) BE IN THE FORM AND CONTAIN THE INFORMATION THAT THE SECRETARY REQUIRES BY REGULATION;

(2) STATE THE BOUNDARIES OF THE AREA OF THE PROPOSED RISE ZONE; AND

(3) CONTAIN A PLAN THAT IDENTIFIES THE TARGET STRATEGY FOR THE RISE ZONE.

(C) THE SECRETARY MAY ESTABLISH, BY REGULATION, ANY OTHER REQUIREMENTS NECESSARY AND APPROPRIATE FOR AN AREA TO BE DESIGNATED AS A RISE ZONE.

(D) (1) WITHIN 90 DAYS AFTER SUBMISSION OF AN APPLICATION UNDER THIS SECTION, THE SECRETARY SHALL APPROVE OR REJECT AN APPLICATION FOR DESIGNATION OF A RISE ZONE.

(2) AT LEAST 60 DAYS BEFORE APPROVAL OR REJECTION OF AN APPLICATION UNDER THIS SECTION, THE SECRETARY SHALL NOTIFY:

(I) THE LEGISLATIVE POLICY COMMITTEE; AND

(II) THE GOVERNING BODY OF THE COUNTY OR MUNICIPAL CORPORATION IN WHICH THE PROPOSED RISE ZONE IS LOCATED.

(3) THE LEGISLATIVE POLICY COMMITTEE OR THE GOVERNING BODY OF THE COUNTY OR MUNICIPAL CORPORATION IN WHICH THE RISE ZONE IS LOCATED MAY PROVIDE ADVICE TO THE SECRETARY REGARDING THE APPROVAL OR REJECTION OF THE RISE ZONE.

5-1405.

(A) THE SECRETARY SHALL ASSIGN TO A RISE ZONE A BUSINESS DEVELOPMENT CONCIERGE WHO IS AN EMPLOYEE OF THE DEPARTMENT.

(B) A BUSINESS DEVELOPMENT CONCIERGE SHALL ASSIST ENTITIES LOCATING IN THE RISE ZONE WITH:

(1) STATE, COUNTY, OR MUNICIPAL CORPORATION PERMIT AND LICENSE APPLICATIONS;

(2) ACCESSING EXISTING PROGRAMS AT THE DEPARTMENT, THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT, OR THE DEPARTMENT OF TRANSPORTATION; AND

(3) ANY OTHER ACTIVITIES THE SECRETARY AUTHORIZES THAT RELATE TO THE DEVELOPMENT OF THE RISE ZONE.

5-1406.

(A) (1) TO THE EXTENT PROVIDED FOR IN THIS SECTION, A BUSINESS ENTITY THAT LOCATES IN A RISE ZONE IS ENTITLED TO:

(I) THE PROPERTY TAX CREDIT UNDER § 9-103.1 OF THE TAX – PROPERTY ARTICLE;

(II) THE INCOME TAX CREDIT UNDER § 10-702 OF THE TAX – GENERAL ARTICLE;

(III) THE INCOME TAX MODIFICATION UNDER § 10-210.1(C) OF THE TAX – GENERAL ARTICLE; AND

(IV) CONSIDERATION FOR FINANCIAL ASSISTANCE FROM PROGRAMS IN SUBTITLE 1 OF THIS TITLE.

(2) FOR PURPOSES OF THE INCOME TAX CREDIT AUTHORIZED UNDER PARAGRAPH (1)(II) OF THIS SUBSECTION, THE BUSINESS ENTITY IS TREATED AS BEING LOCATED IN AN ENTERPRISE ZONE.

(B) A BUSINESS ENTITY THAT MOVES INTO OR LOCATES IN A RISE ZONE ON OR AFTER THE DATE THAT THE ZONE IS DESIGNATED UNDER THIS SUBTITLE MAY QUALIFY FOR THE INCENTIVES UNDER THIS SECTION.

(C) (1) UNLESS A BUSINESS ENTITY MAKES A SIGNIFICANT CAPITAL INVESTMENT OR EXPANSION OF ITS LABOR FORCE AFTER A RISE ZONE IS DESIGNATED, THE INCENTIVES UNDER THIS SECTION ARE NOT AVAILABLE TO A BUSINESS ENTITY THAT WAS IN A RISE ZONE BEFORE THE DATE THAT THE ZONE IS DESIGNATED.

(2) THE DEPARTMENT SHALL ADOPT REGULATIONS ESTABLISHING FACTORS TO DETERMINE IF A BUSINESS ENTITY MAKES A SIGNIFICANT CAPITAL INVESTMENT OR EXPANSION OF ITS LABOR FORCE UNDER PARAGRAPH (1) OF THIS SUBSECTION.

Article – Tax – Property

9-103.1.

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

(2) “BASE YEAR” MEANS THE TAXABLE YEAR IMMEDIATELY BEFORE THE TAXABLE YEAR IN WHICH A PROPERTY TAX CREDIT UNDER THIS SECTION IS TO BE GRANTED.

(3) (I) “BASE YEAR VALUE” MEANS THE VALUE OF THE PROPERTY USED TO DETERMINE THE ASSESSMENT ON WHICH THE PROPERTY TAX ON REAL PROPERTY WAS IMPOSED FOR THE BASE YEAR.

(II) “BASE YEAR VALUE” DOES NOT INCLUDE ANY NEW REAL PROPERTY THAT WAS FIRST ASSESSED IN THE BASE YEAR.

(4) (I) “BUSINESS ENTITY” MEANS A PERSON WHO OPERATES OR CONDUCTS A TRADE OR BUSINESS.

(II) “BUSINESS ENTITY” INCLUDES A PERSON WHO OWNS, OPERATES, DEVELOPS, CONSTRUCTS, OR REHABILITATES REAL PROPERTY IF THE REAL PROPERTY:

1. IS INTENDED FOR USE PRIMARILY AS SINGLE OR MULTIFAMILY RESIDENTIAL PROPERTY LOCATED IN A REGIONAL INSTITUTION STRATEGIC ENTERPRISE ZONE THAT IS DESIGNATED UNDER TITLE 5, SUBTITLE 14 OF THE ECONOMIC DEVELOPMENT ARTICLE; AND

2. IS PARTIALLY DEVOTED TO A NONRESIDENTIAL USE.

(5) (I) “ELIGIBLE ASSESSMENT” MEANS THE DIFFERENCE BETWEEN THE BASE YEAR VALUE AND THE ACTUAL VALUE AS DETERMINED BY THE DEPARTMENT FOR THE APPLICABLE TAXABLE YEAR IN WHICH THE TAX CREDIT UNDER THIS SECTION IS TO BE GRANTED.

(II) FOR A BUSINESS ENTITY THAT IS LOCATED ON LAND OR WITHIN IMPROVEMENTS OWNED BY THE FEDERAL, STATE, COUNTY, OR MUNICIPAL GOVERNMENT, “ELIGIBLE ASSESSMENT” MEANS THE DIFFERENCE BETWEEN THE BASE YEAR VALUE AND THE ACTUAL VALUE REDUCED BY THE VALUE OF ANY PROPERTY ENTITLED TO AN EXEMPTION UNDER TITLE 7 OF THIS ARTICLE AS DETERMINED BY THE DEPARTMENT FOR THE APPLICABLE TAXABLE YEAR IN WHICH THE TAX CREDIT UNDER THIS SECTION IS TO BE GRANTED.

(6) “QUALIFIED PROPERTY” MEANS REAL PROPERTY THAT IS:

(I) NOT USED FOR RESIDENTIAL PURPOSES;

(II) USED IN A TRADE OR BUSINESS BY A BUSINESS ENTITY;

AND

(III) LOCATED IN A REGIONAL INSTITUTION STRATEGIC ENTERPRISE ZONE THAT IS DESIGNATED UNDER TITLE 5, SUBTITLE 14 OF THE ECONOMIC DEVELOPMENT ARTICLE.

(B) THE GOVERNING BODY OF A COUNTY OR OF A MUNICIPAL CORPORATION SHALL GRANT A TAX CREDIT UNDER THIS SECTION AGAINST THE PROPERTY TAX IMPOSED ON THE ELIGIBLE ASSESSMENT OF QUALIFIED PROPERTY.

(C) (1) THE APPROPRIATE GOVERNING BODY SHALL CALCULATE THE AMOUNT OF THE TAX CREDIT UNDER THIS SECTION EQUAL TO A PERCENTAGE OF THE AMOUNT OF PROPERTY TAX IMPOSED ON THE ELIGIBLE ASSESSMENT OF THE QUALIFIED PROPERTY AS FOLLOWS:

(I) 80% IN EACH OF THE FIRST 5 TAXABLE YEARS FOLLOWING THE CALENDAR YEAR IN WHICH THE PROPERTY INITIALLY BECOMES A QUALIFIED PROPERTY;

(II) 70% IN THE SIXTH TAXABLE YEAR;

(III) 60% IN THE SEVENTH TAXABLE YEAR;

(IV) 50% IN THE EIGHTH TAXABLE YEAR;

(V) 40% IN THE NINTH TAXABLE YEAR; AND

(VI) 30% IN THE TENTH TAXABLE YEAR.

(2) THE DEPARTMENT SHALL ALLOCATE THE ELIGIBLE ASSESSMENT TO THE NONRESIDENTIAL PART OF THE QUALIFIED PROPERTY AT THE SAME PERCENTAGE AS THE SQUARE FOOTAGE OF THE NONRESIDENTIAL PART IS TO THE TOTAL SQUARE FOOTAGE OF THE BUILDING.

(3) FOR PURPOSES OF CALCULATING THE AMOUNT OF THE CREDIT ALLOWED UNDER THIS SECTION, THE AMOUNT OF PROPERTY TAX IMPOSED ON THE ELIGIBLE ASSESSMENT SHALL BE CALCULATED WITHOUT REDUCTION FOR ANY CREDITS ALLOWED UNDER THIS TITLE.

(4) (I) FOR QUALIFIED PROPERTY LOCATED IN AN ENTERPRISE ZONE DESIGNATED UNDER TITLE 5, SUBTITLE 7 OF THE ECONOMIC DEVELOPMENT ARTICLE, THE APPROPRIATE GOVERNING BODY SHALL CALCULATE THE AMOUNT OF THE TAX CREDIT UNDER THIS SECTION EQUAL TO 80% OF THE AMOUNT OF PROPERTY TAX IMPOSED ON THE ELIGIBLE ASSESSMENT OF THE QUALIFIED PROPERTY FOR EACH OF THE 10 TAXABLE YEARS FOLLOWING THE CALENDAR YEAR IN WHICH THE PROPERTY INITIALLY BECOMES A QUALIFIED PROPERTY.

(II) FOR QUALIFIED PROPERTY LOCATED IN A FOCUS AREA DESIGNATED UNDER § 5-706 OF THE ECONOMIC DEVELOPMENT ARTICLE, THE APPROPRIATE GOVERNING BODY SHALL CALCULATE THE AMOUNT OF THE TAX CREDIT UNDER THIS SECTION EQUAL TO 100% OF THE AMOUNT OF PROPERTY TAX IMPOSED ON THE ELIGIBLE ASSESSMENT OF THE QUALIFIED PROPERTY FOR EACH OF THE 10 TAXABLE YEARS FOLLOWING THE CALENDAR YEAR IN WHICH THE PROPERTY INITIALLY BECOMES A QUALIFIED PROPERTY.

(D) (1) A TAX CREDIT UNDER THIS SECTION IS AVAILABLE TO A QUALIFIED PROPERTY FOR NO MORE THAN 10 CONSECUTIVE YEARS BEGINNING WITH THE TAXABLE YEAR FOLLOWING THE CALENDAR YEAR IN WHICH THE REAL PROPERTY INITIALLY BECOMES A QUALIFIED PROPERTY.

(2) IF THE DESIGNATION OF A REGIONAL INSTITUTION STRATEGIC ENTERPRISE ZONE EXPIRES, THE TAX CREDIT UNDER THIS SECTION CONTINUES TO BE AVAILABLE TO A QUALIFIED PROPERTY.

(3) STATE PROPERTY TAX IMPOSED ON REAL PROPERTY IS NOT AFFECTED BY THIS SECTION.

(E) WHEN A REGIONAL INSTITUTION STRATEGIC ENTERPRISE ZONE IS DESIGNATED BY THE SECRETARY OF BUSINESS AND ECONOMIC DEVELOPMENT, THE SECRETARY SHALL CERTIFY TO THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION:

(1) THE REAL PROPERTIES IN THE ZONE THAT ARE QUALIFIED PROPERTIES FOR EACH TAXABLE YEAR FOR WHICH THE PROPERTY TAX CREDIT UNDER THIS SECTION IS TO BE GRANTED; AND

(2) THE DATE THAT THE REAL PROPERTIES BECAME QUALIFIED PROPERTIES.

(F) BEFORE PROPERTY TAX BILLS ARE SENT, THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION SHALL SUBMIT TO THE SECRETARY OF BUSINESS AND ECONOMIC DEVELOPMENT A LIST CONTAINING:

- (1) THE LOCATION OF EACH QUALIFIED PROPERTY;**
- (2) THE AMOUNT OF THE BASE YEAR VALUE FOR EACH QUALIFIED PROPERTY; AND**
- (3) THE AMOUNT OF THE ELIGIBLE ASSESSMENT FOR EACH QUALIFIED PROPERTY.**

Article – Tax – General

10–210.1.

(C) IN ADDITION TO THE MODIFICATIONS UNDER §§ 10–204 THROUGH 10–210 OF THIS SUBTITLE AND SUBSECTION (B) OF THIS SECTION, TO DETERMINE MARYLAND ADJUSTED GROSS INCOME OF AN INDIVIDUAL THAT LOCATES IN A REGIONAL INSTITUTION STRATEGIC ENTERPRISE ZONE AND SATISFIES THE REQUIREMENTS OF § 5–1406 OF THE ECONOMIC DEVELOPMENT ARTICLE, AN AMOUNT IS ADDED TO OR SUBTRACTED FROM FEDERAL ADJUSTED GROSS INCOME TO REFLECT THE DETERMINATION OF THE DEPRECIATION DEDUCTION PROVIDED UNDER § 167(A) OF THE INTERNAL REVENUE CODE AS IF THE DEPRECIATION DEDUCTION PROVIDED IN § 167(A) OF THE INTERNAL REVENUE CODE FOR THE TAXABLE YEAR THE PROPERTY IS PLACED IN SERVICE IN THE REGIONAL INSTITUTION STRATEGIC ENTERPRISE ZONE INCLUDES AN ALLOWANCE EQUAL TO 100% OF THE ADJUSTED BASIS OF THE PROPERTY.

10–310.

In addition to the modifications under §§ 10–305 through 10–309 of this subtitle, to determine Maryland modified income the federal taxable income of a corporation shall be adjusted as provided for an individual under § 10–210.1 of this title.

10–702.

(a) (1) In this section the following words have the meanings indicated.

(2) (i) “Business entity” means:

- 1. a person conducting or operating a trade or business;

or

2. an organization that is exempt from taxation under § 501(c)(3) or (4) of the Internal Revenue Code.

(ii) “Business entity” does not include a person owning, operating, developing, constructing, or rehabilitating property intended for use primarily as single or multifamily residential property located within the enterprise zone.

(3) (I) “Enterprise zone” has the meaning stated in § 5–701 of the Economic Development Article.

(II) **“ENTERPRISE ZONE” INCLUDES A REGIONAL INSTITUTION STRATEGIC ENTERPRISE ZONE ESTABLISHED UNDER TITLE 5, SUBTITLE 14 OF THE ECONOMIC DEVELOPMENT ARTICLE.**

(4) “Qualified employee” means an individual who:

(i) is a new employee or an employee rehired after being laid off for more than one year by a business entity;

(ii) is employed by a business entity at least 35 hours each week for at least 6 months before or during the taxable year for which the entity claims a credit;

(iii) spends at least 50% of the hours under item (ii) of this paragraph, either in the enterprise zone or on activities of the business entity resulting directly from its location in the enterprise zone;

(iv) earns at least 150% of the federal minimum wage; and

(v) is hired by the business entity after the later of:

1. the date on which the enterprise zone is designated;

or

2. the date on which the business entity locates in the enterprise zone.

(5) “Economically disadvantaged individual” means an individual who is certified by provisions that the Department of Labor, Licensing, and Regulation adopts as an individual who, before becoming employed by a business entity in an enterprise zone:

(i) was both unemployed for at least 30 consecutive days and qualified to participate in training activities for the economically disadvantaged under Title II, Part B of the federal Workforce Investment Act or its successor; or

(ii) in the absence of an applicable federal act, met the criteria for an economically disadvantaged individual that the Secretary of Labor, Licensing, and Regulation sets.

(6) “Focus area” has the meaning stated in § 5–701 of the Economic Development Article.

(7) “Focus area employee” means an individual who:

(i) is a new employee or an employee rehired after being laid off for more than 1 year by a business entity;

(ii) is employed by a business entity at least 35 hours each week for at least 12 months before or during the taxable year for which the entity claims a credit;

(iii) spends at least 50 percent of the hours under item (ii) of this paragraph either in the focus area or on activities of the business entity resulting directly from its location in the focus area;

(iv) is hired by the business entity after the later of:

1. the date on which the focus area is designated; or
2. the date on which the business entity located in the focus area; and

(v) earns at least 150 percent of the federal minimum wage.

(b) (1) Any business entity that is located in an enterprise zone and satisfies the requirements of § 5–707 of the Economic Development Article may claim a credit only against the State income tax for the wages specified in subsections (c) and (d) of this section that are paid in the taxable year for which the entity claims the credit.

(2) A business entity that is located in a focus area and satisfies the requirements of § 5–707 of the Economic Development Article may claim a credit only against the State income tax for the wages specified in subsection (e) of this section that are paid to a focus area employee in the taxable year for which the entity claims the credit.

(3) An organization that is exempt from taxation under § 501(c)(3) or (4) of the Internal Revenue Code may apply the credit under this section as a credit against income tax due on unrelated business taxable income as provided under §§ 10–304 and 10–812 of this title.

(c) If a business entity does not claim an enhanced tax credit under subsection (e) of this section for a focus area employee, for the taxable year in which a business entity satisfies the requirements of § 5-707 OR § 5-1406 of the Economic Development Article, a credit is allowed that equals:

- (1) up to \$3,000 of the wages paid to each qualified employee who:
 - (i) is an economically disadvantaged individual; and
 - (ii) is not hired to replace an individual whom the business entity employed in that or any of the 3 preceding taxable years; and
- (2) up to \$1,000 of the wages paid to each qualified employee who:
 - (i) is not an economically disadvantaged individual; and
 - (ii) is not hired to replace an individual whom the business entity employed in that or any of the 3 preceding taxable years.

(d) (1) If a business entity does not claim an enhanced tax credit under subsection (e) of this section for a focus area employee, for each taxable year after the taxable year described in subsection (c) of this section, while the area is designated an enterprise zone, a credit is allowed that equals:

- (i) up to \$3,000 of the wages paid to each qualified employee who:
 1. is an economically disadvantaged individual;
 2. became a qualified employee during the taxable year to which the credit applies; and
 3. is not hired to replace an individual whom the business entity employed in that or any of the 3 preceding taxable years;
- (ii) up to \$2,000 of the wages paid to each qualified employee who is an economically disadvantaged individual, if the business entity received a credit under subsection (c)(1) of this section for the qualified employee in the immediately preceding taxable year; and
- (iii) up to \$1,000 of the wages paid to each qualified employee who is not hired to replace an individual whom the business entity employed in that or any of the 3 preceding taxable years if the qualified employee:
 1. is an economically disadvantaged individual for whom the business entity received a credit under subsection (c)(1) of this section or item (i) of

this paragraph and a credit under item (ii) of this paragraph in the 2 immediately preceding taxable years; or

2. is not an economically disadvantaged individual but became a qualified employee during the taxable year to which the credit applies.

(2) A business entity that hires a qualified employee to replace another qualified employee for whom the business entity received a credit under subsection (c)(1) of this section and paragraph (1)(ii) of this subsection in the immediately preceding taxable year may treat the new qualified employee as the replacement for the other qualified employee to determine any credit that may be available to the business entity under paragraph (1)(ii) or (iii) of this subsection.

(e) (1) For the taxable year in which a business entity satisfies the requirements of §§ 5-706 and 5-707 **OR § 5-1406** of the Economic Development Article, a credit is allowed that equals:

(i) up to \$4,500 of the wages paid to each focus area employee who:

1. is an economically disadvantaged individual; and
2. is not hired to replace an individual whom the business entity employed in that year or any of the 3 preceding taxable years; and

(ii) up to \$1,500 of the wages paid to each focus area employee who:

1. is not an economically disadvantaged individual; and
2. is not hired to replace an individual whom the business entity employed in that year or any of the 3 preceding taxable years.

(2) For each taxable year after the taxable year described in paragraph (1) of this subsection, while the area is designated a focus area, a credit is allowed that equals:

(i) up to \$4,500 of the wages paid to each focus area employee who:

1. is an economically disadvantaged individual;
2. became a focus area employee during the taxable year to which the credit applies; and
3. is not hired to replace an individual whom the business entity employed in that year or any of the 3 preceding taxable years;

(ii) up to \$3,000 of the wages paid to each focus area employee who is an economically disadvantaged individual, if the business entity received a credit under paragraph (1)(i) of this subsection for the focus area employee in the immediately preceding taxable year; and

(iii) up to \$1,500 of the wages paid to each focus area employee who is not hired to replace an individual whom the business entity employed in that year or any of the 3 preceding taxable years if the focus area employee:

1. is an economically disadvantaged individual for whom the business entity received a credit under item (ii) of this paragraph in the 2 immediately preceding taxable years and under:

A. paragraph (1)(i) of this subsection; or

B. item (i) of this paragraph; or

2. is not an economically disadvantaged individual but became a focus area employee during the taxable year to which the credit applies.

(3) A business entity that hires a focus area employee to replace another focus area employee for whom the business entity received a credit under paragraph (1)(i) of this subsection and paragraph (2)(ii) of this subsection in the immediately preceding taxable year may treat the focus area employee as the replacement for the other focus area employee to determine any credit that may be available to the business entity under paragraph (2)(ii) or (iii) of this subsection.

(f) If the credit allowed under this section in any taxable year exceeds the State income tax for that taxable year, a business entity may apply the excess as a credit against the State income tax for succeeding taxable years until the earlier of:

(1) the full amount of the excess is used; or

(2) the expiration of the 5th taxable year from the date on which the business entity hired the qualified employee to whom the credit first applies.

(g) If a credit is claimed under this section, the claimant must make the addition required in § 10–205, § 10–206, or § 10–306 of this title.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2014.