## HOUSE BILL 1119

Q3

 $\mathbf{2}$ 

15

7lr3006 CF SB 641

By: **Delegates Hixson, Buckel, Gutierrez, Rose, and M. Washington** Introduced and read first time: February 9, 2017 Assigned to: Ways and Means

## A BILL ENTITLED

1 AN ACT concerning

## Income Tax Credit – Endow Maryland – Credit Amounts

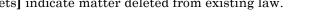
- FOR the purpose of altering the total amount of State income tax credits the Department
  of Housing and Community Development is authorized to issue in a taxable year for
  donations to certain qualified permanent endowment funds at certain community
  foundations; providing for the application of this Act; and generally relating to a
  State income tax credit for certain donations to certain endowment funds.
- 8 BY repealing and reenacting, with amendments,
- 9 Article Tax General
- 10 Section 10–736
- 11 Annotated Code of Maryland
- 12 (2016 Replacement Volume)

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

Article - Tax - General

10 - 736.16In this section the following words have the meanings indicated. 17(a) (1)"Department" means the Department of Housing and Community 18 (2)19 Development. 20"Donation" means an irrevocable gift worth \$500 or more of: (3)21 (i) cash; or 22(ii) publicly traded securities.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW. [Brackets] indicate matter deleted from existing law.





(4)1 "Eligible community foundation" means an organization that:  $\mathbf{2}$ (i) is exempt from taxation under § 501(c)(3) of the Internal Revenue 3 Code; 4 (ii) is commonly known as a community trust, fund, endowment, or  $\mathbf{5}$ foundation or by another similar name that conveys the concept of a capital or endowment 6 fund to support charitable activities in the community or area that it serves; 7 (iiii) satisfies the public support test of § 170(b)(1)(A)(vi) of the 8 Internal Revenue Code and regulations adopted under that section; and 9 is in compliance with national standards for United States (iv) community foundations established by the Community Foundations National Standards 10 Board within the Council on Foundations. 11 12(5)"Qualified permanent endowment fund" means a fund that: 13(i) is held in perpetuity by an eligible community foundation; is used for the benefit of charitable causes in the State; and 14(ii) 15has an annual spending rate of 5% or less calculated using a (iii) 1612-quarter trailing average of the total amount of the fund. 17(b) Subject to the limitations of this section, for the taxable year in which (1)a taxpayer makes a donation to a qualified permanent endowment fund at an eligible 18 19 community foundation, the taxpayer may claim a credit against the State income tax in the 20amount stated on the tax credit certificate issued under subsection (c) of this section. 21If the credit allowed under this section in any taxable year exceeds the (2)22State income tax for that taxable year, any unused credit may be carried forward and 23applied for succeeding taxable years until the earlier of: 24(i) the full amount of the credit is used; or 25(ii) the expiration of the fifth year after the taxable year for which the credit was allowed. 2627On application by a taxpayer, the Department shall issue a credit (c) (1)28certificate in the amount of 25% of a proposed donation to a qualified permanent 29endowment fund at an eligible community foundation that meets the requirements of this 30 section.

**HOUSE BILL 1119** 

31 (2) The application shall contain:

 $\mathbf{2}$ 

## HOUSE BILL 1119

$\frac{1}{2}$	(i) the names of the taxpayer, the eligible community foundation, and the qualified permanent endowment fund to which the donation will be made;
3	(ii) the taxable year in which the donation will be made;
4	(iii) the amount of the donation; and
5	(iv) any other information that the Department requires.
$\frac{6}{7}$	(3) For any taxable year, the maximum amount of tax credit stated in the tax credit certificate may not exceed \$50,000.
8	(4) The Department shall:
9 10	(i) reserve for each taxable year at least 10% of the available credits for donations of \$30,000 or less; and
$\frac{11}{12}$	(ii) approve all applications that qualify for a tax credit certificate under this subsection:
13	1. on a first–come, first–served basis; and
14	2. in a timely manner.
1516	(5) (i) For each taxable year, the total amount of tax credit certificates certified by the Department under this section may not exceed <b>[</b> \$250,000 <b>] \$1,000,000</b> .
$17 \\ 18 \\ 19 \\ 20$	(ii) If the aggregate amount of tax credit certificates authorized under this section during a taxable year total less than the amount authorized under this paragraph, any excess amount may be authorized under tax credit certificates for the next taxable year.
$21 \\ 22 \\ 23 \\ 24$	(d) On or before January 31 of each taxable year, the Department shall report to the State Department of Assessments and Taxation and the Comptroller the donations that the Department has approved for tax credit certificates under this section during the prior taxable year.
$25 \\ 26 \\ 27$	(e) The Department shall adopt regulations to carry out the provisions of this section, including the criteria and procedures for application for, approval of, and monitoring eligibility for the tax credit authorized under this section.
2829	SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2017, and shall be applicable to all taxable years beginning after December 31, 2017.