

SENATE BILL 810

C8, Q3, Q2

8lr1817
CF 8lr2976

By: **Senators Zucker, Ferguson, Benson, DeGrange, Feldman, Guzzone, Jennings, Kasemeyer, King, Miller, Oaks, Peters, Robinson, Serafini, Simonaire, and Smith**

Introduced and read first time: February 5, 2018
Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Job Reinvestment Act of 2018**

3 FOR the purpose of allowing a credit against the State income tax for certain small business
4 entities located in an enterprise zone or a Regional Institution Strategic Enterprise
5 (RISE) zone; allowing a small business entity to qualify for the credit if the small
6 business hired or retained a certain number of new employees under certain
7 circumstances; allowing a small business entity to apply the credit against the
8 required payment of certain taxes to the Comptroller; providing for the calculation
9 of the credit; providing that the credit may not be claimed for more than a certain
10 number of years; providing that the amount of the credit may not exceed the State
11 income tax for that taxable year; authorizing a small business entity to apply any
12 excess amount of the credit against the State income tax for succeeding taxable
13 years; requiring the Department of Commerce, on application of a small business
14 entity, to issue a tax credit certificate under certain circumstances; requiring the
15 application to contain certain information; requiring the Department to approve
16 applications on a first-come, first-served basis and notify applicants of approval or
17 denial of an application within a certain number of days after receipt of the
18 application; requiring the Department to issue certain tax credit certificates;
19 providing that the total amount of tax credit certificates issued by the Department
20 may not exceed a certain amount for each taxable year; requiring the Department to
21 report certain information to the Comptroller on or before a certain date each year;
22 altering the definition of “qualified property” for purposes of a certain property tax
23 credit on a certain assessment of certain property located in a RISE zone so as to
24 include certain personal property; defining certain terms; providing for the effective
25 dates of this Act; providing for the application of this Act; and generally relating to
26 the Enterprise Zone Program and the Regional Institution Strategic Enterprise Zone
27 Program.

28 BY repealing and reenacting, with amendments,

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Article – Economic Development
 2 Section 5–707(a), (c), and (d)(1) and 5–1406(a) and (d)
 3 Annotated Code of Maryland
 4 (2008 Volume and 2017 Supplement)

5 BY repealing and reenacting, without amendments,
 6 Article – Economic Development
 7 Section 5–1406(c)
 8 Annotated Code of Maryland
 9 (2008 Volume and 2017 Supplement)

10 BY adding to
 11 Article – Tax – General
 12 Section 10–746
 13 Annotated Code of Maryland
 14 (2016 Replacement Volume and 2017 Supplement)

15 BY repealing and reenacting, without amendments,
 16 Article – Tax – Property
 17 Section 9–103.1(a)(1) and (b)
 18 Annotated Code of Maryland
 19 (2012 Replacement Volume and 2017 Supplement)

20 BY repealing and reenacting, with amendments,
 21 Article – Tax – Property
 22 Section 9–103.1(a)(6)
 23 Annotated Code of Maryland
 24 (2012 Replacement Volume and 2017 Supplement)

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

27 **Article – Economic Development**

28 5–707.

29 (a) To the extent provided for in this section, a business entity is entitled to:

- 30 (1) the special property tax credit in § 9–103 of the Tax – Property Article;
 31 (2) the income tax credits in § 10–702 of the Tax – General Article; [and]
 32 (3) **THE INCOME TAX CREDITS IN § 10–746 OF THE TAX – GENERAL**
 33 **ARTICLE; AND**

34 (4) consideration for financial assistance from programs in Subtitle 1 of
 35 this title.

1 (c) (1) [The] **EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS**
2 **SUBSECTION, THE** incentives and initiatives provided for in this section are not available
3 to a business entity that:

4 [(1)] (I) was in an enterprise zone before the date that the enterprise zone
5 is designated, except for a capital investment or expansion of its labor force that occurs on
6 or after the enterprise zone is designated; or

7 [(2)] (II) is located in an enterprise zone that was designated under
8 federal law unless the Secretary and the Board of Public Works consent to the designation.

9 (2) **SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION, A BUSINESS**
10 **ENTITY MAY QUALIFY FOR THE INCOME TAX CREDIT UNDER § 10-746 OF THE TAX –**
11 **GENERAL ARTICLE:**

12 (I) **REGARDLESS OF WHETHER THE BUSINESS ENTITY WAS IN**
13 **THE ENTERPRISE ZONE BEFORE THE DATE THAT THE ZONE WAS DESIGNATED; AND**

14 (II) **IF, AFTER THE ENTERPRISE ZONE WAS DESIGNATED, THE**
15 **BUSINESS ENTITY HIRED AND RETAINED AT LEAST ONE NEW EMPLOYEE FOR AT**
16 **LEAST 6 MONTHS BEFORE OR DURING THE TAXABLE YEAR FOR WHICH THE ENTITY**
17 **CLAIMS THE CREDIT.**

18 (3) **A BUSINESS ENTITY MAY QUALIFY FOR THE INCOME TAX CREDIT**
19 **UNDER § 10-746 OF THE TAX – GENERAL ARTICLE FOR EACH EMPLOYEE WHO IS**
20 **HIRED THAT RESULTS IN A NET INCREASE IN THE NUMBER OF EMPLOYEES HIRED**
21 **AND RETAINED BY THE BUSINESS ENTITY AFTER THE ENTERPRISE ZONE WAS**
22 **DESIGNATED.**

23 (d) (1) Except as provided in [§ 10-702] **§§ 10-702 AND 10-746** of the Tax –
24 General Article and § 9-103 of the Tax – Property Article, the incentives and initiatives set
25 forth in this section are available for 10 years after the date that an area is designated an
26 enterprise zone.

27 5-1406.

28 (a) (1) To the extent provided for in this section, a business entity that locates
29 in a RISE zone is entitled to:

30 (i) the property tax credit under § 9-103.1 of the Tax – Property
31 Article;

32 (ii) the income tax credit under § 10-702 of the Tax – General
33 Article; [and]

1 (iii) **THE INCOME TAX CREDIT UNDER § 10-746 OF THE**
2 **TAX – GENERAL ARTICLE; AND**

3 (IV) priority consideration for financial assistance from programs in
4 Subtitle 1 of this title.

5 (2) For purposes of the income tax credit authorized under paragraph (1)(ii)
6 of this subsection, the business entity is treated as being located in an enterprise zone.

7 (c) A business entity may not qualify for the incentives under subsection (a) of
8 this section unless the Department, in consultation with the county or municipal
9 corporation in which a RISE zone is located, certifies the business entity and its location as
10 consistent with the target strategy of the RISE zone.

11 (d) (1) **[Unless] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS**
12 **SUBSECTION, UNLESS** a business entity makes a significant capital investment or
13 expansion of its labor force after a RISE zone is designated, the incentives under this
14 section are not available to a business entity that was in a RISE zone before the date that
15 the zone is designated.

16 (2) **SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION, A BUSINESS**
17 **ENTITY MAY QUALIFY FOR THE INCOME TAX CREDIT UNDER § 10-746 OF THE TAX –**
18 **GENERAL ARTICLE:**

19 (I) **REGARDLESS OF WHETHER THE BUSINESS ENTITY WAS IN**
20 **THE RISE ZONE BEFORE THE DATE THAT THE ZONE WAS DESIGNATED; AND**

21 (II) **IF, AFTER THE RISE ZONE WAS DESIGNATED, THE**
22 **BUSINESS ENTITY HIRED AND RETAINED AT LEAST ONE NEW EMPLOYEE FOR AT**
23 **LEAST 6 MONTHS BEFORE OR DURING THE TAXABLE YEAR FOR WHICH THE ENTITY**
24 **CLAIMS THE CREDIT.**

25 (3) **A BUSINESS ENTITY MAY QUALIFY FOR THE INCOME TAX CREDIT**
26 **UNDER § 10-746 OF THE TAX – GENERAL ARTICLE FOR EACH EMPLOYEE WHO IS**
27 **HIRED THAT RESULTS IN A NET INCREASE IN THE NUMBER OF EMPLOYEES HIRED**
28 **AND RETAINED BY THE BUSINESS ENTITY AFTER THE RISE ZONE WAS DESIGNATED.**

29 [(2)] (4) The Department shall adopt regulations establishing factors to
30 determine if a business entity makes a significant capital investment or expansion of its
31 labor force under paragraph (1) of this subsection.

32 **Article – Tax – General**

33 **10-746.**

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

3 **(2) “DEPARTMENT” MEANS THE DEPARTMENT OF COMMERCE.**

4 **(3) “ENTERPRISE ZONE” HAS THE MEANING STATED IN § 5-701 OF**
5 **THE ECONOMIC DEVELOPMENT ARTICLE.**

6 **(4) “RISE ZONE” HAS THE MEANING STATED IN § 5-1401 OF THE**
7 **ECONOMIC DEVELOPMENT ARTICLE.**

8 **(5) (I) “SMALL BUSINESS ENTITY” MEANS:**

9 **1. A PERSON CONDUCTING OR OPERATING A TRADE OR**
10 **BUSINESS THAT EMPLOYS 25 OR FEWER EMPLOYEES; OR**

11 **2. AN ORGANIZATION THAT:**

12 **A. IS EXEMPT FROM TAXATION UNDER § 501(C)(3) OR (4)**
13 **OF THE INTERNAL REVENUE CODE; AND**

14 **B. EMPLOYS 25 OR FEWER EMPLOYEES.**

15 **(II) “SMALL BUSINESS ENTITY” DOES NOT INCLUDE A PERSON**
16 **OWNING, OPERATING, DEVELOPING, CONSTRUCTING, OR REHABILITATING**
17 **PROPERTY INTENDED FOR USE PRIMARILY AS SINGLE OR MULTIFAMILY**
18 **RESIDENTIAL PROPERTY LOCATED WITHIN AN ENTERPRISE ZONE OR A RISE ZONE.**

19 **(B) (1) SUBJECT TO THE LIMITATIONS OF THIS SECTION, A SMALL**
20 **BUSINESS ENTITY THAT IS LOCATED IN AN ENTERPRISE ZONE OR A RISE ZONE MAY**
21 **CLAIM A CREDIT AGAINST THE STATE INCOME TAX IN THE AMOUNT STATED ON THE**
22 **TAX CREDIT CERTIFICATE ISSUED UNDER SUBSECTION (F) OF THIS SECTION.**

23 **(2) THE SMALL BUSINESS ENTITY MAY APPLY THE CREDIT UNDER**
24 **THIS SECTION AS A CREDIT FOR THE PAYMENT TO THE COMPTROLLER OF TAXES**
25 **THAT THE SMALL BUSINESS ENTITY:**

26 **(I) IS REQUIRED TO WITHHOLD FROM THE WAGES OF**
27 **EMPLOYEES UNDER § 10-908 OF THIS TITLE; AND**

28 **(II) IS REQUIRED TO PAY TO THE COMPTROLLER UNDER §**
29 **10-906(A) OF THIS TITLE.**

1 **(C) THE CREDIT ALLOWED UNDER THIS SECTION SHALL EQUAL, WITH**
2 **RESPECT TO THE WAGES OF EMPLOYEES WHO WORK IN THE ENTERPRISE ZONE OR**
3 **RISE ZONE AND WHOSE EARNINGS EXCEED THE STATE MEDIAN INCOME FOR THE**
4 **PRECEDING TAXABLE YEAR:**

5 **(1) FOR THE FIRST TAXABLE YEAR IN WHICH THE CREDIT IS CLAIMED,**
6 **5% OF THE AMOUNT THAT THE SMALL BUSINESS ENTITY IS REQUIRED TO WITHHOLD**
7 **FROM THE WAGES OF THOSE EMPLOYEES;**

8 **(2) FOR THE SECOND TAXABLE YEAR IN WHICH THE CREDIT IS**
9 **CLAIMED, 4% OF THE AMOUNT THAT THE SMALL BUSINESS ENTITY IS REQUIRED TO**
10 **WITHHOLD FROM THE WAGES OF THOSE EMPLOYEES;**

11 **(3) FOR THE THIRD TAXABLE YEAR IN WHICH THE CREDIT IS**
12 **CLAIMED, 3% OF THE AMOUNT THAT THE SMALL BUSINESS ENTITY IS REQUIRED TO**
13 **WITHHOLD FROM THE WAGES OF THOSE EMPLOYEES;**

14 **(4) FOR THE FOURTH TAXABLE YEAR IN WHICH THE CREDIT IS**
15 **CLAIMED, 2% OF THE AMOUNT THAT THE SMALL BUSINESS ENTITY IS REQUIRED TO**
16 **WITHHOLD FROM THE WAGES OF THOSE EMPLOYEES; AND**

17 **(5) FOR THE FIFTH TAXABLE YEAR IN WHICH THE CREDIT IS CLAIMED,**
18 **1% OF THE AMOUNT THAT THE SMALL BUSINESS ENTITY IS REQUIRED TO WITHHOLD**
19 **FROM THE WAGES OF THOSE EMPLOYEES.**

20 **(D) A SMALL BUSINESS ENTITY MAY NOT CLAIM THE CREDIT ALLOWED**
21 **UNDER THIS SECTION FOR MORE THAN 5 TAXABLE YEARS.**

22 **(E) (1) THE TOTAL AMOUNT OF THE CREDIT ALLOWED UNDER THIS**
23 **SECTION FOR ANY TAXABLE YEAR MAY NOT EXCEED THE STATE INCOME TAX**
24 **IMPOSED FOR THAT TAXABLE YEAR.**

25 **(2) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE**
26 **YEAR EXCEEDS THE STATE INCOME TAX FOR THAT TAXABLE YEAR, A SMALL**
27 **BUSINESS ENTITY MAY APPLY THE EXCESS AS A CREDIT AGAINST THE STATE INCOME**
28 **TAX FOR SUCCEEDING TAXABLE YEARS UNTIL THE FULL AMOUNT OF THE EXCESS IS**
29 **USED.**

30 **(F) (1) ON OR BEFORE SEPTEMBER 15 OF THE CALENDAR YEAR**
31 **FOLLOWING THE END OF THE YEAR FOR WHICH THE SMALL BUSINESS ENTITY**
32 **QUALIFIED FOR THE CREDIT UNDER THIS SECTION, THE SMALL BUSINESS ENTITY**
33 **SHALL SUBMIT AN APPLICATION TO THE DEPARTMENT FOR THE CREDIT ALLOWED**
34 **UNDER SUBSECTION (B) OF THIS SECTION.**

1 **(2) THE APPLICATION SHALL INCLUDE:**

2 **(I) THE NAME OF THE SMALL BUSINESS ENTITY;**

3 **(II) INFORMATION IDENTIFYING THE NAMES AND SALARIES OF**
4 **THE EMPLOYEES WHO WORK IN AN ENTERPRISE ZONE OR A RISE ZONE AND WHOSE**
5 **EARNINGS EXCEED THE STATE MEDIAN INCOME FOR THE PRECEDING TAXABLE**
6 **YEAR;**

7 **(III) PROOF OF THE WAGES PAID TO THOSE EMPLOYEES; AND**

8 **(IV) ANY OTHER INFORMATION THAT THE DEPARTMENT**
9 **REQUIRES.**

10 **(3) FOR EACH TAXABLE YEAR, THE DEPARTMENT MAY NOT ISSUE TAX**
11 **CREDIT CERTIFICATES UNDER THIS SECTION THAT IN THE AGGREGATE EXCEED**
12 **\$1,000,000.**

13 **(4) THE DEPARTMENT SHALL:**

14 **(I) APPROVE ALL APPLICATIONS THAT QUALIFY FOR A TAX**
15 **CREDIT CERTIFICATE UNDER THIS SUBSECTION ON A FIRST-COME, FIRST-SERVED**
16 **BASIS; AND**

17 **(II) WITHIN 90 DAYS AFTER THE RECEIPT OF THE APPLICATION:**

18 **1. NOTIFY THE SMALL BUSINESS ENTITY OF THE**
19 **DEPARTMENT'S APPROVAL OR DENIAL; AND**

20 **2. IF THE DEPARTMENT APPROVES THE APPLICATION,**
21 **ISSUE THE SMALL BUSINESS ENTITY A TAX CREDIT CERTIFICATE.**

22 **(G) ON OR BEFORE JANUARY 31 OF EACH TAXABLE YEAR, THE**
23 **DEPARTMENT SHALL REPORT TO THE COMPTROLLER ON THE TAX CREDIT**
24 **CERTIFICATES ISSUED UNDER THIS SECTION DURING THE PRIOR TAXABLE YEAR.**

25 **(H) THE DEPARTMENT SHALL ADOPT REGULATIONS TO:**

26 **(1) IMPLEMENT THE PROVISIONS OF THIS SECTION; AND**

27 **(2) SPECIFY CRITERIA AND PROCEDURES FOR APPLICATION FOR,**
28 **APPROVAL OF, AND MONITORING CONTINUING ELIGIBILITY FOR THE TAX CREDIT**
29 **UNDER THIS SECTION.**

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

3 **Article – Tax – Property**

4 9–103.1.

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

6 (6) (I) “Qualified property” means real property that is:

7 [(i)] 1. not used for residential purposes;

8 [(ii)] 2. used in a trade or business by a business entity; and

9 [(iii)] 3. located in a Regional Institution Strategic Enterprise zone
10 that is designated under Title 5, Subtitle 14 of the Economic Development Article.

11 (II) **“QUALIFIED PROPERTY” INCLUDES PERSONAL PROPERTY**
12 **ON REAL PROPERTY THAT IS LOCATED IN A FOCUS AREA AS DEFINED IN § 5–701 OF**
13 **THE ECONOMIC DEVELOPMENT ARTICLE.**

14 (b) The governing body of a county or of a municipal corporation shall grant a tax
15 credit under this section against the property tax imposed on the eligible assessment of
16 qualified property.

17 SECTION 3. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall take
18 effect June 1, 2018, and shall be applicable to all taxable years beginning after June 30,
19 2018.

20 SECTION 4. AND BE IT FURTHER ENACTED, That, except as provided in Section
21 3 of this Act, this Act shall take effect July 1, 2018, and shall be applicable to all taxable
22 years beginning after December 31, 2017.