

# HOUSE BILL 986

Q3

9lr1202

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By: **Delegate Reznik**

Introduced and read first time: February 8, 2019

Assigned to: Ways and Means

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## A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Satellite Office Tax Credit**

3 FOR the purpose of allowing a credit against the State income tax for certain employers  
4 that establish and maintain certain satellite offices in the State for certain qualified  
5 employees; establishing the credit amount for each qualified employee, subject to  
6 certain limitations; providing for the carryforward of the credit; requiring the  
7 Department of Labor, Licensing, and Regulation, on application of a qualified  
8 employer, to issue a tax credit certificate under certain circumstances; requiring the  
9 application to contain certain information; requiring the Department to approve  
10 applications on a first-come, first-served basis and provide certain notification  
11 within a certain number of days after receipt of the application; prohibiting the  
12 Department from issuing tax credit certificates after a certain date and for credit  
13 amounts in the aggregate totaling more than a certain amount; establishing the  
14 Maryland Satellite Office Tax Credit Reserve Fund as a special, nonlapsing fund;  
15 requiring the State Treasurer to hold the Reserve Fund; requiring the Governor to  
16 make a certain appropriation to the Reserve Fund each fiscal year; requiring the  
17 Comptroller to transfer certain amounts from the Reserve Fund to the General Fund  
18 under certain circumstances; requiring, each quarter, that the Department notify  
19 the Comptroller of a certain amount and that the Comptroller transfer a certain  
20 amount from the Reserve Fund to the General Fund; requiring the Department to  
21 report certain information to the Governor and the General Assembly on or before a  
22 certain date each year; requiring the Department, in consultation with the  
23 Comptroller, to adopt certain regulations; defining certain terms; providing for the  
24 application and termination of this Act; and generally relating to a State income tax  
25 credit for establishing and maintaining a satellite office in the State.

26 BY adding to  
27 Article – Tax – General  
28 Section 10–749  
29 Annotated Code of Maryland  
30 (2016 Replacement Volume and 2018 Supplement)

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

3 **Article – Tax – General**

4 **10-749.**

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

7 (2) “DEPARTMENT” MEANS THE DEPARTMENT OF LABOR,  
8 LICENSING, AND REGULATION.

9 (3) “QUALIFIED EMPLOYEE” MEANS AN INDIVIDUAL:

10 (I) WHO IS A RESIDENT OF THE STATE;

11 (II) WHO IS EMPLOYED FULL TIME BY A QUALIFIED EMPLOYER;

12 AND

13 (III) WHOSE AVERAGE COMMUTE TIME TO THE QUALIFIED  
14 EMPLOYER’S WORK LOCATION IS AT LEAST 1 HOUR.

15 (4) “QUALIFIED EMPLOYER” MEANS A BUSINESS ENTITY THAT:

16 (I) IS ORGANIZED FOR PROFIT AND EXISTS UNDER THE LAWS  
17 OF ANY JURISDICTION; AND

18 (II) ESTABLISHES A SATELLITE OFFICE IN THE STATE.

19 (5) “SATELLITE OFFICE” MEANS A WORK SITE IN THE STATE:

20 (I) ESTABLISHED BY A QUALIFIED EMPLOYER ON OR AFTER  
21 JANUARY 1, 2019;

22 (II) TO WHICH AT LEAST 10 QUALIFIED EMPLOYEES REPORT TO  
23 WORK FOR A QUALIFIED EMPLOYER; AND

24 (III) THAT IS LOCATED WITHIN A 10-MILE RADIUS OF EACH  
25 QUALIFIED EMPLOYEE’S PLACE OF RESIDENCE IN THE STATE.

26 (B) (1) A QUALIFIED EMPLOYER THAT MAINTAINS A SATELLITE OFFICE  
27 FOR AT LEAST 9 MONTHS DURING A TAXABLE YEAR MAY CLAIM A CREDIT AGAINST

1 THE STATE INCOME TAX FOR THAT TAXABLE YEAR IN THE AMOUNT STATED ON THE  
2 TAX CREDIT CERTIFICATE ISSUED UNDER SUBSECTION (C) OF THIS SECTION.

3 (2) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE  
4 YEAR EXCEEDS THE STATE INCOME TAX FOR THAT TAXABLE YEAR, A QUALIFIED  
5 EMPLOYER MAY APPLY THE EXCESS AS A CREDIT AGAINST THE STATE INCOME TAX  
6 FOR SUCCEEDING TAXABLE YEARS UNTIL THE EARLIER OF:

7 (I) THE FULL AMOUNT OF THE EXCESS IS USED; OR

8 (II) THE EXPIRATION OF THE 5TH TAXABLE YEAR AFTER THE  
9 TAXABLE YEAR FOR WHICH THE CREDIT WAS ALLOWED.

10 (C) (1) SUBJECT TO THE LIMITATIONS OF THIS SECTION, ON  
11 APPLICATION BY A QUALIFIED EMPLOYER, THE DEPARTMENT SHALL ISSUE A TAX  
12 CREDIT CERTIFICATE IN THE AMOUNT OF \$200 FOR EACH QUALIFIED EMPLOYEE  
13 WHO WORKS IN A SATELLITE OFFICE MAINTAINED BY THE QUALIFIED EMPLOYER.

14 (2) THE APPLICATION SHALL INCLUDE:

15 (I) PROOF THAT THE QUALIFIED EMPLOYER IS:

16 1. DULY ORGANIZED AND IN GOOD STANDING UNDER  
17 THE LAWS OF THE JURISDICTION WHERE IT IS ORGANIZED;

18 2. CURRENT IN THE PAYMENT OF ALL TAX OBLIGATIONS  
19 TO A STATE OR ANY UNIT OR SUBDIVISION OF A STATE; AND

20 3. NOT IN DEFAULT UNDER THE TERMS OF ANY  
21 CONTRACT WITH, INDEBTEDNESS TO, OR GRANT FROM A STATE OR ANY UNIT OR  
22 SUBDIVISION OF A STATE;

23 (II) PROOF THAT THE REQUIREMENTS OF THIS SECTION HAVE  
24 BEEN MET; AND

25 (III) ANY OTHER INFORMATION THAT THE DEPARTMENT MAY  
26 REQUIRE.

27 (3) THE DEPARTMENT SHALL:

28 (I) APPROVE ALL APPLICATIONS THAT QUALIFY FOR A TAX  
29 CREDIT CERTIFICATE UNDER THIS SECTION ON A FIRST-COME, FIRST-SERVED  
30 BASIS; AND

1 (II) NOTIFY THE QUALIFIED EMPLOYER WITHIN 30 DAYS AFTER  
2 THE RECEIPT OF THE APPLICATION OF THE DEPARTMENT'S APPROVAL OR DENIAL  
3 OF THE APPLICATION.

4 (4) THE DEPARTMENT MAY NOT ISSUE A TAX CREDIT CERTIFICATE  
5 AFTER DECEMBER 31, 2023.

6 (D) (1) IN THIS SECTION, "RESERVE FUND" MEANS THE MARYLAND  
7 SATELLITE OFFICE TAX CREDIT RESERVE FUND ESTABLISHED UNDER PARAGRAPH  
8 (2) OF THIS SUBSECTION.

9 (2) (I) THERE IS A MARYLAND SATELLITE OFFICE TAX CREDIT  
10 RESERVE FUND THAT IS A SPECIAL CONTINUING, NONLAPSING FUND THAT IS NOT  
11 SUBJECT TO § 7-302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.

12 (II) THE MONEY IN THE RESERVE FUND SHALL BE INVESTED  
13 AND REINVESTED BY THE STATE TREASURER, AND INTEREST AND EARNINGS SHALL  
14 BE CREDITED TO THE GENERAL FUND.

15 (3) (I) EXCEPT AS OTHERWISE PROVIDED IN THIS PARAGRAPH,  
16 FOR ANY FISCAL YEAR, THE DEPARTMENT MAY NOT ISSUE TAX CREDIT  
17 CERTIFICATES FOR CREDIT AMOUNTS IN THE AGGREGATE TOTALING MORE THAN  
18 THE AMOUNT APPROPRIATED FOR THE RESERVE FUND FOR THAT FISCAL YEAR IN  
19 THE STATE BUDGET AS APPROVED BY THE GENERAL ASSEMBLY, AND AS REDUCED  
20 BY THE AMOUNT NEEDED TO PAY THE COSTS OF ADMINISTERING THE TAX CREDIT  
21 UNDER THIS SECTION.

22 (II) IF THE AGGREGATE CREDIT AMOUNTS UNDER TAX CREDIT  
23 CERTIFICATES ISSUED IN A FISCAL YEAR TOTAL LESS THAN THE AMOUNT  
24 APPROPRIATED TO THE RESERVE FUND FOR THAT FISCAL YEAR, ANY EXCESS  
25 AMOUNT SHALL REMAIN IN THE RESERVE FUND AND MAY BE ISSUED UNDER TAX  
26 CREDIT CERTIFICATES FOR THE NEXT FISCAL YEAR.

27 (III) FOR ANY FISCAL YEAR, IF FUNDS ARE TRANSFERRED FROM  
28 THE RESERVE FUND UNDER THE AUTHORITY OF ANY PROVISION OF LAW OTHER  
29 THAN UNDER PARAGRAPH (5) OF THIS SUBSECTION, THE MAXIMUM CREDIT  
30 AMOUNTS IN THE AGGREGATE FOR WHICH THE DEPARTMENT MAY ISSUE TAX  
31 CREDIT CERTIFICATES SHALL BE REDUCED BY THE AMOUNT TRANSFERRED.

32 (4) (I) FOR EACH FISCAL YEAR, THE GOVERNOR SHALL INCLUDE  
33 IN THE STATE BUDGET BILL AN APPROPRIATION OF AT LEAST \$2,000,000 FOR THE  
34 RESERVE FUND.

1                   **(II) NOTWITHSTANDING THE PROVISIONS OF § 7-213 OF THE**  
2 **STATE FINANCE AND PROCUREMENT ARTICLE, THE GOVERNOR MAY NOT REDUCE**  
3 **AN APPROPRIATION FOR THE RESERVE FUND IN THE STATE BUDGET AS APPROVED**  
4 **BY THE GENERAL ASSEMBLY.**

5                   **(5) (I) EXCEPT AS OTHERWISE PROVIDED IN THIS PARAGRAPH,**  
6 **MONEY APPROPRIATED FOR THE RESERVE FUND SHALL REMAIN IN THE RESERVE**  
7 **FUND.**

8                   **(II) 1. WITHIN 15 DAYS AFTER THE END OF EACH CALENDAR**  
9 **QUARTER, THE DEPARTMENT SHALL NOTIFY THE COMPTROLLER, AS TO EACH TAX**  
10 **CREDIT CERTIFICATE ISSUED DURING THE QUARTER, THE CREDIT AMOUNT STATED**  
11 **IN THE TAX CREDIT CERTIFICATE.**

12                   **2. ON NOTIFICATION THAT A TAX CREDIT HAS BEEN**  
13 **ISSUED, THE COMPTROLLER SHALL TRANSFER, FROM THE RESERVE FUND TO THE**  
14 **GENERAL FUND, AN AMOUNT EQUAL TO THE CREDIT AMOUNT STATED IN THE TAX**  
15 **CREDIT CERTIFICATE.**

16                   **(E) ON OR BEFORE DECEMBER 31 EACH TAXABLE YEAR, THE DEPARTMENT**  
17 **SHALL SUBMIT A REPORT TO THE GOVERNOR AND, IN ACCORDANCE WITH § 2-1246**  
18 **OF THE STATE GOVERNMENT ARTICLE, THE GENERAL ASSEMBLY ON THE USE AND**  
19 **IMPACT OF THE TAX CREDIT ESTABLISHED UNDER THIS SECTION.**

20                   **(F) THE DEPARTMENT, IN CONSULTATION WITH THE COMPTROLLER,**  
21 **SHALL ADOPT REGULATIONS TO:**

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

23                   **(2) SPECIFY CRITERIA AND PROCEDURES FOR APPLICATION FOR,**  
24 **APPROVAL OF, AND MONITORING CONTINUING ELIGIBILITY FOR THE TAX CREDIT**  
25 **UNDER THIS SECTION.**

26                   **SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July**  
27 **1, 2019, and shall be applicable to all taxable years beginning after December 31, 2018, but**  
28 **before January 1, 2029. It shall remain effective for a period of 10 years and, at the end of**  
29 **June 30, 2029, this Act, with no further action required by the General Assembly, shall be**  
30 **abrogated and of no further force and effect.**