

Chapter 191

**(Senate Bill 186)**

AN ACT concerning

**Economic Development – Job Creation Tax Credit – Credit for Hiring Veterans**

FOR the purpose of expanding eligibility under the job creation tax credit program administered by the Department of Commerce to include certain small businesses that hire at least a certain number of qualified veteran employees; providing for the calculation of the credit for qualified business entities that hire qualified veteran employees under certain circumstances; requiring the Department, upon application by a small business, to certify the small business as a qualified business entity under certain circumstances; requiring the application to contain certain information; prohibiting a small business from claiming the credit under certain circumstances; extending the termination date applicable to the program; repealing provisions of law authorizing an income tax credit for wages paid to qualified veteran employees; defining certain terms; providing for the application of this Act; and generally relating to the job creation tax credit program and the income tax credit for wages paid to qualified veteran employees in the State.

BY repealing and reenacting, with amendments,  
Article – Economic Development  
Section 6–301, 6–303, 6–304(b), 6–305, and 6–309(a)  
Annotated Code of Maryland  
(2018 Replacement Volume and 2020 Supplement)

BY repealing  
Article – Tax – General  
Section 10–743  
Annotated Code of Maryland  
(2016 Replacement Volume and 2020 Supplement)

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

**Article – Economic Development**

6–301.

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

(b) “Credit year” means the taxable year in which a qualified business entity claims the credit allowed in accordance with § 6–304(a) of this subtitle.

(c) (1) “Qualified business entity” means a person conducting or operating a trade or business in the State that is certified in accordance with § 6–303 of this subtitle as qualifying for the tax credit under this subtitle.

(2) For a person engaged in a business activity described in [§ 6–303(b)(2)(xiii)] **§ 6–303(B)(1)(II)13** of this subtitle, “qualified business entity”:

(i) includes a person owning or operating the multi–use facility in which the entertainment, recreation, cultural, or tourism–related activities are operated; and

(ii) does not include any separate entity that leases retail space at the facility.

(d) (1) “Qualified position” means a position that:

(i) is full–time and of indefinite duration;

(ii) pays at least 120% of the State minimum wage;

(iii) is located in the State;

(iv) is newly created as a result of the establishment or expansion of a business facility in a single location in the State; and

(v) is filled.

(2) “Qualified position” does not include a position that is:

(i) created when an employment function is shifted from an existing business facility of a business entity in the State to another business facility of the same business entity if the position is not a net new job in the State;

(ii) created through a change in ownership of a trade or business;

(iii) created through a consolidation, merger, or restructuring of a business entity if the position is not a net new job in the State;

(iv) created when an employment function is contractually shifted from an existing business entity to another business entity in the State if the position is not a net new job in the State; or

(v) filled for a period of less than 12 months.

(3) For a person engaged in a business activity described in [§ 6–303(b)(2)(xiii)] **§ 6–303(B)(1)(II)13** of this subtitle, “qualified position” does not include any position other than a position engaged in:

(i) the operation of entertainment, recreation, cultural, or tourism–related activities within the multi–use facility; or

(ii) management, marketing, building maintenance, hotel services, or security for the multi–use facility.

**(E) “QUALIFIED VETERAN EMPLOYEE” MEANS AN INDIVIDUAL WHO:**

**(1) IS HONORABLY DISCHARGED OR RELEASED UNDER HONORABLE CIRCUMSTANCES FROM ACTIVE MILITARY, NAVAL, OR AIR SERVICE AS DEFINED IN 38 U.S.C. § 101; AND**

**(2) IS A QUALIFIED VETERAN AS DEFINED UNDER § 51(D)(3)(A) OF THE INTERNAL REVENUE CODE FOR PURPOSES OF THE FEDERAL WORK OPPORTUNITY TAX CREDIT.**

**[(e)] (F) “Revitalization area” means:**

(1) an enterprise zone designated by the Secretary under § 5–704 of this article;

(2) an enterprise zone designated by the United States government under 42 U.S.C. §§ 11501 through 11505;

(3) an empowerment zone or enterprise community designated by the United States government under 26 U.S.C. §§ 1391 through 1397F; or

(4) a sustainable community, as defined in § 6–301 of the Housing and Community Development Article.

**(G) “SMALL BUSINESS” MEANS AN INDIVIDUAL, A PARTNERSHIP, A LIMITED PARTNERSHIP, A LIMITED LIABILITY PARTNERSHIP, A LIMITED LIABILITY COMPANY, OR A CORPORATION THAT EMPLOYS 50 OR FEWER TOTAL FULL–TIME EMPLOYEES.**

**[(f)] (H) “State priority funding area” means:**

(1) a municipal corporation;

(2) Baltimore City;

- (3) a sustainable community, as defined in § 6–301 of the Housing and Community Development Article;
- (4) an enterprise zone designated by the Secretary under § 5–704 of this article;
- (5) an enterprise zone designated by the United States government under 42 U.S.C. §§ 11501 through 11505;
- (6) those areas of the State located between Interstate Highway 495 and the District of Columbia;
- (7) those areas of the State located between Interstate Highway 695 and Baltimore City;
- (8) any area in a county designated by the county as a priority funding area under § 5–7B–03(c) of the State Finance and Procurement Article;
- (9) that portion of the Port Land Use Development Zone, as defined in § 6–501 of the Transportation Article, that has been designated as an area appropriate for growth in a county comprehensive master plan; and
- (10) a qualified opportunity zone designated under § 1400Z–1 of the Internal Revenue Code in Allegany County, Garrett County, Somerset County, or Wicomico County.

6–303.

(a) (1) The Secretary or the Secretary’s designee shall certify a person as a qualified business entity if the person meets the requirements of this section.

(2) A person may not be certified as a qualified business entity **UNDER SUBSECTION (B)(1) OF THIS SECTION** unless the person notifies the Department of its intent to seek certification before hiring any qualified employees to fill the qualified positions necessary to meet the requirements of subsection [(b)(1)] **(B)(1)(I)** of this section.

(b) To be eligible for a tax credit under this subtitle[,]:

(1) a person shall establish or expand a business facility in the State that:

[(1)] (I) during any 24–month period creates at least:

[(i)] 1. 60 qualified positions;

[(ii)] 2. 25 qualified positions if the business facility established or expanded is located in a State priority funding area; or

[(iii)] **3.** 10 qualified positions in a county with:

[1.] **A.** an annual average employment that is less than 75,000; or

[2.] **B.** a median household income that is less than two-thirds of the statewide median household income; and

[(2)] **(II)** is primarily engaged in:

[(i)] **1.** manufacturing or mining;

[(ii)] **2.** transportation or communications;

[(iii)] **3.** agriculture, forestry, or fishing;

[(iv)] **4.** research, development, or testing;

[(v)] **5.** biotechnology;

[(vi)] **6.** computer programming, information technology, or other computer-related services;

[(vii)] **7.** central services for a business entity engaged in financial services, real estate services, or insurance services;

[(viii)] **8.** the operation of central administrative offices;

[(ix)] **9.** the operation of a company headquarters other than the headquarters of a professional sports organization;

[(x)] **10.** the operation of a public utility;

[(xi)] **11.** warehousing;

[(xii)] **12.** business services, if the business facility established or expanded is located in a State priority funding area; or

[(xiii)] **13.** entertainment, recreation, cultural, or tourism-related activities in a multi-use facility located within a revitalization area if the facility:

[1.] **A.** generates a minimum of 1,000 new full-time equivalent filled positions in a 24-month period; and

**[2.] B.** is not primarily used by a professional sports franchise or for gaming; **OR**

**(2) A SMALL BUSINESS SHALL HIRE ~~IN THE CREDIT YEAR~~ AT LEAST ONE QUALIFIED VETERAN EMPLOYEE FOR A FULL-TIME POSITION IN THE STATE.**

(c) **(1)** To be certified as a qualified business entity for a tax credit under [this subtitle] **SUBSECTION (B)(1) OF THIS SECTION**, a person shall submit to the Department an application that specifies:

**[(1)] (I)** the effective date of the start-up or expansion;

**[(2)] (II)** the number of full-time employees existing before the start-up or expansion and the payroll of the existing employees;

**[(3)] (III)** the number of qualified positions created and qualified employees hired and the payroll of the new qualified employees; and

**[(4)] (IV)** any other information that the Department requires by regulation.

**(2) TO BE CERTIFIED AS A QUALIFIED BUSINESS ENTITY FOR A TAX CREDIT UNDER SUBSECTION (B)(2) OF THIS SECTION, A SMALL BUSINESS SHALL SUBMIT TO THE DEPARTMENT AN APPLICATION THAT SPECIFIES:**

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

**(II) INFORMATION IDENTIFYING THE NAME AND DATE OF HIRE OF THE QUALIFIED VETERAN EMPLOYEE;**

**(III) PROOF OF THE WAGES PAID TO THE QUALIFIED VETERAN EMPLOYEE; AND**

**(IV) ANY OTHER INFORMATION THAT THE DEPARTMENT REQUIRES BY REGULATION.**

(d) When determining whether a business facility is engaged in a qualifying activity described in subsection **[(b)(2)] (B)(1)(II)** of this section, the Department shall consider the definitions set forth in the North American Industry Classification System.

(e) The Department may require that any information provided under subsection (c) of this section be verified by the Maryland Department of Labor.

6-304.

(b) (1) Except as provided in this section, the credit earned under this section **BY A QUALIFIED BUSINESS ENTITY UNDER § 6-303(B)(1) OF THIS SUBTITLE:**

(i) for qualified employees **WHO ARE NOT QUALIFIED VETERAN EMPLOYEES** working in a facility not located in a revitalization area, is \$3,000 multiplied by the number of **THOSE** qualified employees employed by the qualified business entity during the credit year; [and]

(ii) for qualified employees **WHO ARE NOT QUALIFIED VETERAN EMPLOYEES** working in a facility located in a revitalization area, is \$5,000 multiplied by the number of **THOSE** qualified employees employed by the qualified business entity during the credit year;

**(III) FOR QUALIFIED EMPLOYEES WHO ARE QUALIFIED VETERAN EMPLOYEES WORKING IN A FACILITY NOT LOCATED IN A REVITALIZATION AREA, IS \$4,000 MULTIPLIED BY THE NUMBER OF QUALIFIED VETERAN EMPLOYEES EMPLOYED BY THE QUALIFIED BUSINESS ENTITY DURING THE CREDIT YEAR; AND**

**(IV) FOR QUALIFIED EMPLOYEES WHO ARE QUALIFIED VETERAN EMPLOYEES WORKING IN A FACILITY LOCATED IN A REVITALIZATION AREA, IS \$6,000 MULTIPLIED BY THE NUMBER OF QUALIFIED VETERAN EMPLOYEES EMPLOYED BY THE QUALIFIED BUSINESS ENTITY DURING THE CREDIT YEAR.**

**(2) (I) EXCEPT AS PROVIDED IN THIS SECTION AND SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH, THE CREDIT EARNED UNDER THIS SECTION BY A SMALL BUSINESS UNDER § 6-303(B)(2) OF THIS SUBTITLE IS \$2,500 MULTIPLIED BY THE NUMBER OF QUALIFIED VETERAN EMPLOYEES EMPLOYED BY THE SMALL BUSINESS DURING THE CREDIT YEAR.**

**(II) A SMALL BUSINESS MAY NOT CLAIM THE CREDIT UNDER THIS SECTION:**

**1. FOR MORE THAN FIVE QUALIFIED VETERAN EMPLOYEES IN A CREDIT YEAR;**

**2. FOR A QUALIFIED VETERAN EMPLOYEE WHO IS HIRED TO REPLACE A LAID-OFF EMPLOYEE OR AN EMPLOYEE WHO IS ON STRIKE; OR**

**3. FOR A QUALIFIED VETERAN EMPLOYEE WHO HAS FILLED THE POSITION FOR LESS THAN 1 YEAR.**

**[(2)] (3)** The credit earned by a qualified business entity under this subtitle may not exceed \$1,000,000 for any credit year.

**[(3)] (4)** The total amount of credits certified by the Department for qualified business entities in a taxable year may not exceed \$4,000,000.

6-305.

**(a) THE PROVISIONS OF THIS SECTION DO NOT APPLY TO A TAX CREDIT CLAIMED BY A SMALL BUSINESS UNDER § 6-303(B)(2) OF THIS SUBTITLE.**

**(B)** If, during any of the 3 years after the credit year, the number of qualified positions of the qualified business entity falls more than 5% below the average number of qualified positions that existed during the credit year on which the credit was computed, the credit shall be recaptured as follows:

(1) the credit shall be recomputed and reduced by the percentage reduction of the number of qualified employees;

(2) the recomputed credit shall be subtracted from the amount of credit previously allowed; and

(3) the qualified business entity shall pay the difference as taxes payable to the State for the taxable year in which the number of qualified positions falls more than 5% below the average number of qualified positions during the credit year.

**[(b)] (C)** If, during any of the 3 years after the credit year, the average number of qualified positions falls below the applicable threshold number of positions required under § 6-303(b)(1) of this subtitle, all credits earned shall be recaptured.

**[(c)] (D)** During the 3 taxable years after the credit year, a qualified business entity shall provide any information required by the Department in regulation to verify that the qualified business entity is not subject to subsection **[(a) or] (b) OR (C)** of this section.

6-309.

(a) Subject to subsection (b) of this section, this subtitle and the tax credit authorized under it shall terminate on January 1, **[2022] 2027**.

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

**Article – Tax – General**



[10-743.

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

(2) “Department” means the Department of Commerce.

(3) “Qualified veteran employee” means an individual who:

(i) is honorably discharged or released under honorable circumstances from active military, naval, or air service as defined in 38 U.S.C. § 101; and

(ii) is a qualified veteran as defined under 26 U.S.C. § 51(d)(3)(A) for purposes of the federal Work Opportunity Tax Credit.

(4) “Small business” means an individual, a partnership, a limited partnership, a limited liability partnership, a limited liability company, or a corporation that employs 50 or fewer full-time employees.

(b) Except as provided in subsection (d) of this section, a small business that hires a qualified veteran employee may claim a credit against the State income tax in the amount stated on the tax credit certificate issued under subsection (e) of this section for wages paid to the qualified veteran employee.

(c) For each taxable year, for the wages paid to each qualified veteran employee, a credit may not exceed 30% of up to the first \$6,000 of wages paid to the qualified veteran employee during the first year of employment.

(d) A small business may not claim the credit under this section:

(1) for more than five qualified veteran employees in a taxable year; or

(2) for a qualified veteran employee who is hired to replace a laid-off employee or an employee who is on strike.

(e) (1) On application by a small business, the Department shall issue a tax credit certificate in the amount allowable under subsection (c) of this section for each qualified veteran employee employed by the small business in a taxable year, subject to subsection (d)(1) of this section.

(2) The application shall include:

(i) the name of the small business;

(ii) information identifying the name and date of hire of the qualified veteran employee;

- (iii) proof of the wages paid to the qualified veteran employee; and
- (iv) any other information that the Department requires.

(3) The Department shall:

(i) approve all applications that qualify for a tax credit certificate under this subsection on a first-come, first-served basis; and

(ii) notify the small business within 45 days after the receipt of the application of the Department's approval or denial.

(4) For each taxable year, the total amount of the credit certificates that may be issued by the Department under this section may not exceed \$500,000.

(f) On or before January 31 of each taxable year, the Department shall report to the Comptroller on the tax credit certificates issued under this section during the prior taxable year.

(g) The Department shall adopt regulations to:

(1) implement the provisions of this section; and

(2) specify criteria and procedures for application for, approval of, and monitoring continuing eligibility for the tax credit under this section.]

SECTION 3. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall be applicable to all taxable years beginning after December 31, 2020.

SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2021, and shall be applicable to job creation tax credits certified after December 31, 2021.

**Approved by the Governor, May 18, 2021.**