

By: Delegates Hixson, Taylor, Cummings, Hurson, Busch, Guns, Rawlings, Cryor, Finifter, and Vallario

Requested: November 15, 1995

Introduced and read first time: January 10, 1996

Assigned to: Ways and Means

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 5, 1996

CHAPTER \_\_\_\_

1 AN ACT concerning

2 ~~Taxation of Property for Use or Consumption in High Technology Industries~~

3 Property Tax - Manufacturing and Research and Development

4 FOR the purpose of ~~exempting from the sales and use tax the sale of certain tangible~~  
5 ~~personal property for use or consumption in certain development, production, and~~  
6 ~~assembly activities; and altering the definition of "manufacturing" under the~~  
7 ~~property tax law to include certain development, production, and assembly~~  
8 ~~activities; providing certain requirements for qualification for a manufacturing~~  
9 ~~exemption from personal property taxes; allowing the Mayor and City Council of~~  
10 ~~Baltimore City or the governing body of a county or municipal corporation to grant~~  
11 ~~a certain tax credit for real property of a research and development facility;~~  
12 ~~providing that a certain credit may be granted up to 100% of certain property taxes~~  
13 ~~on certain property; providing for the applicability of this Act; and generally relating~~  
14 ~~to property tax credits for manufacturing and research and development.~~

15 ~~BY adding to~~

16 ~~Article - Tax - General~~

17 ~~Section 11-227~~

18 ~~Annotated Code of Maryland~~

19 ~~(1988 Volume and 1995 Supplement)~~

20 BY repealing and reenacting, with amendments,

21 ~~Article - Tax - Property~~

22 ~~Section 1-101(r), 7-225, and 9-205~~

23 ~~Annotated Code of Maryland~~

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1 (1994 Replacement Volume and 1995 Supplement)

2 BY repealing and reenacting, without amendments,

3 Article - Tax - Property

4 Section ~~7-225, 7-226, and 9-205~~

5 Annotated Code of Maryland

6 (1994 Replacement Volume and 1995 Supplement)

7 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

8 MARYLAND, That the Laws of Maryland read as follows:

9 ~~Article - Tax - General~~

10 ~~1-227.~~

11 ~~THE SALES AND USE TAX DOES NOT APPLY TO A SALE OF TANGIBLE PERSONAL~~  
12 ~~PROPERTY FOR USE OR CONSUMPTION IN:~~

13 ~~(1) THE DEVELOPMENT OF:~~

14 ~~(i) MAGNETICALLY STORED WRITTEN INSTRUCTIONS TO BE USED~~  
15 ~~DIRECTLY OR INDIRECTLY IN A COMPUTER TO BRING ABOUT A CERTAIN RESULT;~~  
16 ~~OR~~

17 ~~(ii) RELATED WRITTEN INSTRUCTIONS IN BOOKS, MANUALS, OR~~  
18 ~~ELECTRONIC TUTORIALS;~~

19 ~~(2) THE DEVELOPMENT, PRODUCTION, OR ASSEMBLY OF COMPUTER~~  
20 ~~BOARDS, COMPONENTS, OR CHIPS; OR~~

21 ~~(3) THE DEVELOPMENT OR PRODUCTION OF CULTURES, DRUGS,~~  
22 ~~VACCINES, ANTIBODIES, OR OTHER RELATED MATERIALS FOR USE IN THE~~  
23 ~~BIOSCIENCES INDUSTRY.~~

24 **Article - Tax - Property**

25 1-101.

26 (r) ~~(1)~~ "Manufacturing" includes:

27 ~~(1)~~ the operation of:

28 [(1)] (I) sawmills, grain mills, or feed mills; and

29 [(2)] (II) machinery and equipment used to extract and process minerals,  
30 metals, or earthen materials or by-products that result from the extracting or processing;

31 ~~(2) THE DEVELOPMENT OF:~~

32 ~~(i) MAGNETICALLY STORED WRITTEN INSTRUCTIONS TO BE USED~~  
33 ~~DIRECTLY OR INDIRECTLY IN A COMPUTER TO BRING ABOUT A CERTAIN RESULT;~~  
34 ~~OR~~

35 ~~(ii) RELATED WRITTEN INSTRUCTIONS IN BOOKS, MANUALS, OR~~  
36 ~~ELECTRONIC TUTORIALS;~~

1 ~~(3) THE DEVELOPMENT, PRODUCTION, OR ASSEMBLY OF COMPUTER~~  
2 ~~BOARDS, COMPONENTS, OR CHIPS; AND~~

3 ~~(4) THE DEVELOPMENT OR PRODUCTION OF CULTURES, DRUGS,~~  
4 ~~VACCINES, ANTIBODIES, OR OTHER RELATED MATERIALS FOR USE IN THE~~  
5 ~~BIOSCIENCES INDUSTRY.~~

6 (2) "MANUFACTURING" DOES NOT INCLUDE:

7 (I) ACTIVITIES THAT ARE PRIMARILY A SERVICE;

8 (II) ACTIVITIES THAT ARE INTELLECTUAL, ARTISTIC, OR  
9 CLERICAL IN NATURE;

10 (III) RESEARCH AND DEVELOPMENT ACTIVITIES;

11 (IV) PUBLIC UTILITY SERVICES, INCLUDING TELEPHONE, GAS,  
12 ELECTRIC, WATER, AND STEAM PRODUCTION SERVICES; OR

13 (V) ANY OTHER ACTIVITY THAT WOULD NOT COMMONLY BE  
14 CONSIDERED AS MANUFACTURING.

15 7-225.

16 (a) Except as provided in § 7-109 of this title and in subsection (b) of this section,  
17 if used in manufacturing, the following personal property, however operated and whether  
18 or not in use, is not subject to property tax:

19 (1) tools;

20 (2) implements;

21 (3) machinery; or

22 (4) manufacturing apparatus or engines.

23 (b) Except as provided by § 7-108 of this title, the personal property listed in  
24 subsection (a) of this section is subject to a county property tax on:

25 (1) 100% of its assessment in Allegany County, Dorchester County, Garrett  
26 County, Somerset County, Wicomico County, and Worcester County; and

27 (2) 75% of its assessment in Washington County.

28 (C) IN ORDER TO QUALIFY FOR THE EXEMPTION UNDER THIS SECTION:

29 (1) THE PROPERTY MUST BE USED TO SUBSTANTIALLY TRANSFORM, OR  
30 PERFORM A SUBSTANTIAL STEP IN THE PROCESS OF TRANSFORMING, BY USE OF  
31 LABOR OR MACHINERY, TANGIBLE PERSONAL PROPERTY INTO A NEW AND  
32 DIFFERENT ARTICLE OF TANGIBLE PERSONAL PROPERTY;

33 (2) THE PROPERTY MAY NOT BE USED PRIMARILY IN ADMINISTRATION,  
34 MANAGEMENT, SALES, STORAGE, SHIPPING, RECEIVING, OR ANY OTHER  
35 NONMANUFACTURING ACTIVITY; AND

1                    (3) A PERSON CLAIMING THE EXEMPTION MUST APPLY FOR AND BE  
2 GRANTED THE EXEMPTION BY THE DEPARTMENT.

3 7-226.

4            (a) Except as provided in § 7-109 of this title and in subsection (b) of this section,  
5 raw materials and manufactured products in the possession of a manufacturer are not  
6 subject to property tax.

7            (b) Except as provided by § 7-108 of this title, the personal property described in  
8 subsection (a) of this section is subject to a county property tax on 20% of its assessment  
9 in Allegany County.

10 9-205.

11            (a) The Mayor and City Council of Baltimore City or the governing body of a  
12 county or of a municipal corporation may grant, by law, a property tax credit under this  
13 section against the county or municipal corporation property tax imposed on part or all of  
14 the property of any manufacturing, fabricating, or assembling facility OR REAL  
15 PROPERTY OF A RESEARCH AND DEVELOPMENT FACILITY that:

- 16                    (1) locates in the county or municipal corporation;
- 17                    (2) expands in the county or municipal corporation; or
- 18                    (3) develops a new product or industrial process.

19            (b) A property tax credit under this section ~~is~~ MAY BE GRANTED ON UPTO 100%  
20 of the county or municipal corporation property tax against the property described in  
21 subsection (a) of this section.

22            (c) A property tax credit granted under this section may be granted for the period  
23 of years from the date of completion of a new facility or expansion of a facility that the  
24 Mayor and City Council of Baltimore City or the appropriate governing body determines.

25            (d) The Mayor and City Council of Baltimore City or the appropriate governing  
26 body may:

- 27                    (1) adopt regulations necessary to carry out this section; and
- 28                    (2) provide any other restriction or condition considered desirable.

29            (e) The Mayor and City Council of Baltimore City or each governing body shall  
30 designate the administrative unit or official to administer the property tax credit granted  
31 under this section.

32            (f) When a tax bill is sent to a taxpayer who may be eligible for a property tax  
33 credit under this section, the Mayor and City Council of Baltimore City or the  
34 appropriate governing body shall give notice of the property tax credit under this section  
35 to the taxpayer.

36            (g) (1) A taxpayer must apply to receive a tax credit under this section.

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1                   (2) Except in Frederick County, if a taxpayer fails to apply for a property tax  
2 credit under this section on or before October 1 of each taxable year, the property tax  
3 credit may not be granted.

4                   (3) In Frederick County, a taxpayer may apply for a property tax credit  
5 under this section on or before October 1 of the taxable year, and the property tax credit  
6 received shall continue from year to year until the property is conveyed.

7                   (4) A taxpayer shall state under oath that the facts in the application are  
8 true.

9                   (h) Each governing body that grants a property tax credit under this section shall  
10 submit to the Department a copy of the law granting the credit.

11                   SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
12 July 1, 1996 and shall be applicable to all taxable years beginning after June 30, 1997.