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**By: Delegates Howard, Hurson, Rosapepe, Kopp, Rosenberg, Dembrow, Hecht, McIntosh, Bobo, Morhaim, Barve, Finifter, C. Davis, Marriott, McKee, and Muse**

Introduced and read first time: January 31, 1997

Assigned to: Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

2 **Work, Not Welfare, Enterprise Zone, and New Job Creation Tax Credits - Tax Exempt**  
3 **Organizations**

4 FOR the purpose of altering a definition under the Job Creation Tax Credit to make  
5 certain tax exempt organizations eligible for the credit; altering certain criteria for  
6 establishment or expansion of a business facility in the State to qualify for the Job  
7 Creation Tax Credit; allowing certain tax exempt organizations to transfer certain  
8 tax credits to certain entities in exchange for a certain cash payment; providing for  
9 the application of this Act; and generally relating to the application of certain tax  
10 credits to certain tax exempt organizations.

11 BY adding to

12 Article 83A - Department of Business and Economic Development  
13 Section 5-1101(f)(3)  
14 Annotated Code of Maryland  
15 (1995 Replacement Volume and 1996 Supplement)

16 BY repealing and reenacting, with amendments,

17 Article 83A - Department of Business and Economic Development  
18 Section 5-1102(b)(2)(ii)  
19 Annotated Code of Maryland  
20 (1995 Replacement Volume and 1996 Supplement)

21 BY repealing and reenacting, with amendments,

22 Article - Tax - General  
23 Section 10-702(b)(2), 10-704.3(b), and 10-704.4  
24 Annotated Code of Maryland  
25 (1988 Volume and 1996 Supplement)

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

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

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1 **Article 83A - Department of Business and Economic Development**

2 5-1101.

3 (f) (3) FOR A PERSON ENGAGED IN AN ACTIVITY DESCRIBED IN §  
4 5-1102(B)(2)(II)12 OF THIS SUBTITLE, "QUALIFIED BUSINESS ENTITY" INCLUDES AN  
5 ORGANIZATION THAT IS EXEMPT FROM TAXATION UNDER § 501(C)(3) OR (4) OF THE  
6 INTERNAL REVENUE CODE.

7 5-1102.

8 (b) (2) To qualify for the tax credit provided under this subtitle, a business  
9 entity must establish or expand a business facility in the State that:

10 (ii) Is engaged in:

- 11 1. Manufacturing or mining;
- 12 2. Transportation or communications;
- 13 3. Agriculture, forestry, or fishing;
- 14 4. Research, development, or testing;
- 15 5. Biotechnology;
- 16 6. Computer programming, data processing, or other computer  
17 related services;
- 18 7. Central financial, real estate, or insurance services;
- 19 8. The operation of central administrative offices or a company  
20 headquarters;
- 21 9. A public utility;
- 22 10. Warehousing; [or]
- 23 11. Operation of entertainment, recreation, cultural, or  
24 tourism-related activities in a multiuse facility located within a revitalization area if the  
25 facility generates a minimum of 1,000 new full-time equivalent filled positions in a  
26 24-month period and is not primarily used by a professional sports franchise or for  
27 gaming; OR

28 12. THE CONDUCT OF EXEMPT PURPOSES ACTIVITIES WITHIN  
29 THE MEANING OF § 501(C)(3), (4), OR (6) OF THE INTERNAL REVENUE CODE.

30 **Article - Tax - General**

31 10-702.

32 (b) (2) An organization that is exempt from taxation under § 501(c)(3) or (4) of  
33 the Internal Revenue Code may:

3

1 (I) apply the credit under this section as a credit against income tax  
2 due on unrelated business taxable income as provided under §§ 10-304 and 10-812 of this  
3 title; OR

4 (II) TRANSFER THE CREDIT UNDER THIS SECTION TO A  
5 FOR-PROFIT ENTITY THAT IS ABLE TO USE THE CREDIT IN EXCHANGE FOR A CASH  
6 PAYMENT EQUAL TO THE AMOUNT OF THE TAX CREDIT.

7 10-704.3.

8 (b) An organization that is exempt from taxation under § 501(c)(3) or (4) of the  
9 Internal Revenue Code may:

10 (1) apply the credit under this section as a credit against income tax due on  
11 unrelated business taxable income as provided under §§ 10-304 and 10-812 of this title;  
12 OR

13 (2) TRANSFER THE CREDIT UNDER THIS SECTION TO A FOR-PROFIT  
14 ENTITY THAT IS ABLE TO USE THE CREDIT IN EXCHANGE FOR A CASH PAYMENT  
15 EQUAL TO THE AMOUNT OF THE TAX CREDIT.

16 10-704.4.

17 (A) An individual or a corporation may claim a credit against the income tax for  
18 wages paid to qualified employees as provided under Article 83A, § 5-1102 of the Code.

19 (B) AN ORGANIZATION THAT IS EXEMPT FROM TAXATION UNDER § 501(C)(3)  
20 OR (4) OF THE INTERNAL REVENUE CODE MAY:

21 (1) APPLY THE CREDIT UNDER THIS SECTION AS A CREDIT AGAINST  
22 INCOME TAX DUE ON UNRELATED BUSINESS TAXABLE INCOME AS PROVIDED  
23 UNDER §§ 10-304 AND 10-812 OF THIS TITLE; OR

24 (2) TRANSFER THE CREDIT UNDER THIS SECTION TO A FOR-PROFIT  
25 ENTITY THAT IS ABLE TO USE THE CREDIT IN EXCHANGE FOR A CASH PAYMENT  
26 EQUAL TO THE AMOUNT OF THE TAX CREDIT.

27 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
28 July 1, 1997 and shall be applicable to all taxable years beginning after December 31,  
29 1996.