

CF 7r2041

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

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 20, 1997

CHAPTER ____

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; providing for the termination of this Act; and generally
10 relating to the application of certain tax 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

2

1 Annotated Code of Maryland
2 (1988 Volume and 1996 Supplement)

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

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

6 5-1101.

7 (f) (3) FOR A PERSON ENGAGED IN AN ACTIVITY DESCRIBED IN §
8 5-1102(B)(2)(II)12 OF THIS SUBTITLE, "QUALIFIED BUSINESS ENTITY" INCLUDES AN
9 ORGANIZATION THAT IS EXEMPT FROM TAXATION UNDER § 501(C)(3) OR (4) OF THE
10 INTERNAL REVENUE CODE.

11 5-1102.

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

14 (ii) Is engaged in:

- 15 1. Manufacturing or mining;
- 16 2. Transportation or communications;
- 17 3. Agriculture, forestry, or fishing;
- 18 4. Research, development, or testing;
- 19 5. Biotechnology;
- 20 6. Computer programming, data processing, or other computer
21 related services;
- 22 7. Central financial, real estate, or insurance services;
- 23 8. The operation of central administrative offices or a company
24 headquarters;
- 25 9. A public utility;
- 26 10. Warehousing; [or]
- 27 11. Operation of entertainment, recreation, cultural, or
28 tourism-related activities in a multiuse facility located within a revitalization area if the
29 facility generates a minimum of 1,000 new full-time equivalent filled positions in a
30 24-month period and is not primarily used by a professional sports franchise or for
31 gaming; OR
- 32 12. THE CONDUCT OF EXEMPT PURPOSES ACTIVITIES WITHIN
33 THE MEANING OF § 501(C)(3), (4), OR (6) OF THE INTERNAL REVENUE CODE.

3

1 **Article - Tax - General**

2 10-702.

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

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

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

11 10-704.3.

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

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

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

20 10-704.4.

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

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

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

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

31 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
32 July 1, 1997 and shall be applicable to ~~all the 3~~ taxable years beginning after December
33 31, 1996 but before January 1, 2000. It shall remain effective for a period of 2 1/2 year(s)
34 and, at the end of December 31, 1999, with no further action required by the General
35 Assmebly, this Act shall be abrogated and of no further force and effect.

