
By: Senators Van Hollen and Hogan, Hogan, Middleton, Ruben, McFadden, Lawlah, and Currie

Introduced and read first time: January 31, 1997
Assigned to: Budget and Taxation

Committee Report: Favorable with amendments
Senate action: Adopted
Read second time: March 20, 1997

CHAPTER _____

1 AN ACT concerning

2 ~~Property Tax Credit~~ **Tax Credits - Businesses That Create New Jobs**

3 FOR the purpose of authorizing the Mayor and City Council of Baltimore City or the
4 governing body of a county or municipal corporation to grant, by law, a property tax
5 credit against the county or municipal corporation property tax imposed on certain
6 real property and personal property; providing for the eligibility criteria for the
7 property tax credit including requirements for the construction, expansion, or lease
8 of a certain minimum number of square feet on which the business entity conducts
9 its business and the creation of a certain minimum number of new permanent
10 full-time positions; prohibiting the property tax credit to be granted under certain
11 circumstances; providing for the computation of the property tax credit; requiring a
12 certain notification; requiring certain lessors to reduce a certain liability of certain
13 lessees; ~~authorizing~~ requiring the governing body of the county or municipal
14 corporation to provide, by law, for certain other provisions to implement the
15 property tax credit; ~~requiring the State to reimburse a county or municipal~~
16 ~~corporation for certain amounts in a certain manner~~ granting a State tax credit
17 against the individual or corporate income tax, insurance premium tax, financial
18 institution franchise tax, or the public service franchise tax, under certain
19 conditions; providing for the computation of certain State tax credits; prohibiting
20 the application of a certain State tax credit more than once; providing for the
21 carryover of certain excess State tax credits; requiring the adoption of certain
22 regulations; defining certain terms; ~~and generally relating to a property tax credit~~
23 ~~for certain property owned or leased by~~ providing for the application and
24 termination of this Act; and generally relating to certain tax credits for certain
25 businesses that create new jobs.

26 BY adding to

2

1 Article - Tax - Property
2 Section 9-229
3 Annotated Code of Maryland
4 (1994 Replacement Volume and 1996 Supplement)

5 BY adding to
6 Article - Insurance
7 Section 6-115
8 Annotated Code of Maryland
9 (1995 Volume and 1996 Supplement)
10 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

11 BY adding to
12 Article - Tax - General
13 Section 8-216, 8-413, and 10-704.7
14 Annotated Code of Maryland
15 (1988 Volume and 1996 Supplement)

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

18 **Article - Tax - Property**

19 9-229.

20 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
21 INDICATED.

22 (2) "BUSINESS ENTITY" MEANS A PERSON CONDUCTING A TRADE OR
23 BUSINESS IN THE STATE, THAT IS SUBJECT TO THE STATE INDIVIDUAL OR
24 CORPORATE INCOME TAX, INSURANCE PREMIUMS TAX, FINANCIAL INSTITUTION
25 FRANCHISE TAX, OR PUBLIC SERVICE COMPANY FRANCHISE TAX.

26 (3) (I) "NEW PERMANENT FULL-TIME POSITION" MEANS A POSITION
27 THAT IS:

- 28 ~~1. A JOB OF AN INDEFINITE DURATION THAT:~~
- 29 ~~A. IS CREATED BY THE COMPANY AS A RESULT OF THE~~
- 30 ~~ESTABLISHMENT OR EXPANSION OF A BUSINESS FACILITY IN THE STATE; AND~~
- 31 ~~B. REQUIRES A MINIMUM OF 35 HOURS OF AN EMPLOYEE'S~~
- 32 ~~TIME PER WEEK FOR AT LEAST 48 WEEKS OF A YEAR; OR~~
- 33 ~~2. A POSITION OF INDEFINITE DURATION THAT REQUIRES A~~
- 34 ~~MINIMUM OF 35 HOURS OF AN EMPLOYEE'S TIME PER WEEK FOR THE PORTION OF~~
- 35 ~~THE TAXABLE YEAR IN WHICH THE EMPLOYEE WAS INITIALLY HIRED FOR, OR~~
- 36 ~~TRANSFERRED TO, THE BUSINESS FACILITY IN THE STATE.~~

37 1. A FULL-TIME POSITION OF INDEFINITE DURATION;

3

1 2. LOCATED IN MARYLAND;

2 3. NEWLY CREATED, AS A RESULT OF THE ESTABLISHMENT
3 OR EXPANSION OF A BUSINESS FACILITY IN THE STATE; AND

4 4. FILLED.

5 (II) "NEW PERMANENT FULL-TIME POSITION" DOES NOT INCLUDE
6 A POSITION THAT IS:

7 ~~1. A SEASONAL OR TEMPORARY POSITION; OR~~

8 ~~2. A JOB CREATED WHEN A JOB FUNCTION IS SHIFTED~~
9 ~~FROM AN EXISTING LOCATION IN THE STATE TO THE NEW OR EXPANDED BUSINESS~~
10 ~~FACILITY.~~

11 1. CREATED WHEN AN EMPLOYMENT FUNCTION IS SHIFTED
12 FROM AN EXISTING BUSINESS FACILITY OF THE BUSINESS ENTITY LOCATED IN
13 MARYLAND TO ANOTHER BUSINESS FACILITY OF THE SAME BUSINESS ENTITY IF
14 THE POSITION DOES NOT REPRESENT A NET NEW JOB IN THE STATE;

15 2. CREATED THROUGH A CHANGE IN OWNERSHIP OF A
16 TRADE OR BUSINESS;

17 3. CREATED THROUGH A CONSOLIDATION, MERGER, OR
18 RESTRUCTURING OF A BUSINESS ENTITY IF THE POSITION DOES NOT REPRESENT A
19 NET NEW JOB IN THE STATE;

20 4. CREATED WHEN AN EMPLOYMENT FUNCTION IS
21 CONTRACTUALLY SHIFTED FROM AN EXISTING BUSINESS ENTITY LOCATED IN THE
22 STATE TO ANOTHER BUSINESS ENTITY IF THE POSITION DOES NOT REPRESENT A
23 NET NEW JOB IN THE STATE; OR

24 5. FILLED FOR A PERIOD OF LESS THAN 12 MONTHS.

25 (4) "NEW OR EXPANDED PREMISES" MEANS REAL PROPERTY,
26 INCLUDING A BUILDING OR PART OF A BUILDING THAT HAS NOT BEEN PREVIOUSLY
27 OCCUPIED, WHERE A BUSINESS ENTITY LOCATES TO CONDUCT ITS BUSINESS.

28 (5) "ASSESSED VALUE" IS THE VALUE OF REAL PROPERTY AS
29 DETERMINED BY THE DEPARTMENT TO WHICH A COUNTY OR MUNICIPAL
30 CORPORATION PROPERTY TAX RATE MAY BE APPLIED.

31 (B) (1) THE MAYOR AND CITY COUNCIL OF BALTIMORE CITY OR THE
32 GOVERNING BODY OF A COUNTY OR OF A MUNICIPAL CORPORATION MAY GRANT,
33 BY LAW, A PROPERTY TAX CREDIT AGAINST THE COUNTY OR MUNICIPAL
34 CORPORATION PROPERTY TAX IMPOSED ON REAL PROPERTY OWNED OR LEASED
35 BY A BUSINESS ENTITY THAT MEETS THE REQUIREMENTS SPECIFIED UNDER
36 SUBSECTION (C) OF THIS SECTION AND ON PERSONAL PROPERTY OWNED BY THAT
37 BUSINESS ENTITY THAT MEETS THE REQUIREMENTS SPECIFIED UNDER SUBSECTION
38 (D) OF THIS SECTION.

4

1 (2) IF A PROPERTY TAX CREDIT IS GRANTED UNDER PARAGRAPH (1) OF
2 THIS SUBSECTION, A BUSINESS ENTITY MAY CLAIM A STATE TAX CREDIT AGAINST
3 THE INDIVIDUAL OR CORPORATE INCOME TAX, INSURANCE PREMIUMS TAX,
4 FINANCIAL INSTITUTION FRANCHISE TAX, OR PUBLIC SERVICE COMPANY
5 FRANCHISE TAX AS PROVIDED UNDER SUBSECTION (F) OF THIS SECTION.

6 (C) (1) TO QUALIFY FOR A ~~PROPERTY~~ TAX CREDIT UNDER THIS SECTION
7 ~~AGAINST PROPERTY TAX IMPOSED ON REAL PROPERTY~~, A BUSINESS ENTITY SHALL:

8 (I) CONSTRUCT OR EXPAND BY AT LEAST 5,000 SQUARE FEET THE
9 PREMISES ON WHICH IT CONDUCTS ITS BUSINESS, THROUGH PURCHASING OR
10 CONSTRUCTING NEW PREMISES OR BY LEASING NEW PREMISES; AND

11 (II) EMPLOY AT LEAST ~~45~~ 25 INDIVIDUALS IN NEW PERMANENT
12 FULL-TIME POSITIONS IN THE NEW OR EXPANDED PREMISES.

13 (2) A ~~PROPERTY~~ TAX CREDIT MAY NOT BE GRANTED UNDER THIS
14 SECTION IF:

15 (I) THE BUSINESS ENTITY HAS MOVED ITS OPERATIONS FROM
16 ONE POLITICAL SUBDIVISION IN THE STATE TO ANOTHER;

17 (II) THE ~~PROPERTY~~ NEW OR EXPANDED PREMISES HAS
18 OTHERWISE BEEN GRANTED A TAX CREDIT OR EXEMPTION UNDER THIS ARTICLE
19 FOR THE TAXABLE YEAR; OR

20 (III) THE BUSINESS ENTITY HAS BEEN CERTIFIED FOR A TAX
21 CREDIT UNDER ARTICLE 83A, § 5-1101 OF THE CODE.

22 (D) TO QUALIFY FOR A PROPERTY TAX CREDIT UNDER THIS SECTION
23 AGAINST PROPERTY TAX IMPOSED ON PERSONAL PROPERTY A BUSINESS ENTITY
24 SHALL CERTIFY THAT THE PERSONAL PROPERTY IS LOCATED ON THE NEW OR
25 EXPANDED PREMISES THAT QUALIFY FOR A TAX CREDIT UNDER SUBSECTION (C)
26 OF THIS SECTION.

27 (E) (1) THE GOVERNING BODY OF THE COUNTY OR MUNICIPAL
28 CORPORATION SHALL COMPUTE THE AMOUNT OF THE PROPERTY TAX CREDIT
29 GRANTED UNDER SUBSECTION (B)(1) OF THIS SECTION FOR ~~NEWLY CONSTRUCTED~~
30 NEW OR EXPANDED PREMISES AND THE PERSONAL PROPERTY LOCATED ON THOSE
31 PREMISES THAT MAY BE CLAIMED AGAINST THE COUNTY OR MUNICIPAL
32 CORPORATION PROPERTY TAXES THAT WOULD OTHERWISE BE DUE TO EQUAL A
33 PERCENTAGE OF THE AMOUNT OF PROPERTY TAX IMPOSED ON THE ~~ELIGIBLE~~
34 ASSESSMENT ASSESSED VALUE OF THE ~~QUALIFIED PROPERTY~~ NEW OR EXPANDED
35 PREMISES, AS FOLLOWS:

36 (I) ~~80%~~ 52% FOR THE 1ST AND 2ND TAXABLE YEARS;

37 (II) ~~60%~~ 39% IN THE 3RD AND 4TH TAXABLE YEARS;

38 (III) ~~40%~~ 26% IN THE 5TH AND 6TH TAXABLE YEARS; AND

39 (IV) 0% FOR EACH TAXABLE YEAR THEREAFTER.

5

1 (2) THE COUNTY OR MUNICIPAL CORPORATION SHALL NOTIFY THE
2 DEPARTMENT THAT A BUSINESS ENTITY HAS BEEN APPROVED FOR THE PROPERTY
3 TAX CREDIT AND THE ASSESSED VALUE OF THE NEW OR EXPANDED PREMISES.

4 (F) (1) ON RECEIPT OF NOTIFICATION UNDER SUBSECTION (E)(2) OF THIS
5 SECTION, THE DEPARTMENT SHALL COMPUTE AND CERTIFY TO THE COMPTROLLER
6 THE AMOUNT OF THE STATE TAX CREDIT AUTHORIZED UNDER SUBSECTION (B)(2)
7 OF THIS SECTION THAT MAY BE CLAIMED AGAINST THE INDIVIDUAL OR
8 CORPORATE INCOME TAX, INSURANCE PREMIUMS TAX, FINANCIAL INSTITUTION
9 FRANCHISE TAX, OR PUBLIC SERVICE COMPANY FRANCHISE TAX THAT WOULD
10 OTHERWISE BE DUE TO EQUAL A PERCENTAGE OF THE AMOUNT OF PROPERTY TAX
11 IMPOSED ON THE ASSESSED VALUE OF THE NEW OR EXPANDED PREMISES, AS
12 FOLLOWS:

13 (I) 28% IN THE 1ST AND 2ND TAXABLE YEARS;

14 (II) 21% IN THE 3RD AND 4TH TAXABLE YEARS;

15 (III) 14% IN THE 5TH AND 6TH TAXABLE YEARS; AND

16 (IV) 0% FOR EACH TAXABLE YEAR THEREAFTER.

17 (2) THE SAME STATE TAX CREDIT CANNOT BE APPLIED MORE THAN
18 ONCE AGAINST DIFFERENT TAXES BY THE SAME TAXPAYER.

19 (3) IF THE STATE TAX CREDIT ALLOWED UNDER THIS SUBSECTION IN
20 ANY TAXABLE YEAR EXCEEDS THE TOTAL TAX OTHERWISE PAYABLE BY THE
21 BUSINESS ENTITY FOR THAT TAXABLE YEAR, A BUSINESS ENTITY MAY APPLY THE
22 EXCESS AS A CREDIT FOR SUCCEEDING TAXABLE YEARS UNTIL THE EARLIER OF:

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

24 (II) THE EXPIRATION OF THE 5TH TAXABLE YEAR AFTER THE
25 TAXABLE YEAR IN WHICH THE STATE TAX CREDIT IS CLAIMED.

26 (4) THE MARYLAND INSURANCE COMMISSIONER SHALL ADOPT
27 REGULATIONS TO PROVIDE FOR THE COMPUTATION, CARRYOVER, AND
28 RECAPTURE OF THE STATE TAX CREDIT UNDER § 6-115 OF THE INSURANCE
29 ARTICLE.

30 (5) THE DEPARTMENT SHALL ADOPT REGULATIONS TO PROVIDE FOR
31 THE COMPUTATION, CARRYOVER, AND RECAPTURE OF THE STATE TAX CREDIT
32 UNDER §§ 8-216 AND 8-413 OF THE TAX - GENERAL ARTICLE.

33 (6) THE COMPTROLLER SHALL ADOPT REGULATIONS TO PROVIDE FOR
34 THE COMPUTATION, CARRYOVER, AND RECAPTURE OF THE STATE TAX CREDIT
35 UNDER § 10-704.7 OF THE TAX - GENERAL ARTICLE.

36 (2) (G) THE LESSOR OF REAL PROPERTY ELIGIBLE FOR A TAX CREDIT
37 TAX CREDITS UNDER PARAGRAPH (1) OF THIS SUBSECTION, SUBSECTION (B) OF THIS
38 SECTION SHALL REDUCE BY THE AMOUNT OF THE TAX CREDIT CREDITS COMPUTED
39 UNDER SUBSECTIONS (E) AND (F) OF THIS SECTION THE AMOUNT OF TAXES FOR

6

1 WHICH THE ELIGIBLE BUSINESS ENTITY IS CONTRACTUALLY LIABLE UNDER THE
2 LEASE AGREEMENT.

3 ~~(F)~~ (H) THE GOVERNING BODY OF THE COUNTY OR MUNICIPAL
4 CORPORATION ~~MAY SHALL~~ PROVIDE, BY LAW, FOR:

5 (1) THE SPECIFIC REQUIREMENTS FOR ELIGIBILITY FOR A TAX CREDIT
6 AUTHORIZED UNDER THIS SECTION;

7 (2) ANY ADDITIONAL LIMITATIONS ON ELIGIBILITY FOR THE CREDIT;

8 ~~(3) REPAYMENT OF THE PROPERTY TAX CREDIT IF THE BUSINESS~~
9 ~~ENTITY MOVES ITS BUSINESS OUTSIDE THE JURISDICTION OR OTHERWISE BECOMES~~
10 ~~INELIGIBLE FOR THE TAX CREDIT; AND~~

11 (3) A PROVISION REQUIRING RECAPTURE OF THE PROPERTY AND
12 STATE TAX CREDITS EARNED, IF, DURING THE 3 TAXABLE YEARS SUCCEEDING ANY
13 YEAR IN WHICH A CREDIT WAS EARNED, THE BUSINESS ENTITY FAILS TO SATISFY
14 THE APPLICABLE THRESHOLDS TO QUALIFY FOR A PROPERTY TAX CREDIT
15 REQUIRED UNDER SUBSECTION (C) OF THIS SECTION;

16 (4) THE INFORMATION TO BE SUPPLIED BY THE BUSINESS ENTITY TO A
17 COUNTY OR MUNICIPAL CORPORATION AND THE COMPTROLLER TO VERIFY THAT
18 THE BUSINESS ENTITY IS NOT SUBJECT TO ITEM (3) OF THIS SUBSECTION; AND

19 ~~(4)~~ (5) ANY OTHER PROVISION APPROPRIATE TO IMPLEMENT THE
20 CREDIT.

21 ~~(G) AS PROVIDED IN THE STATE BUDGET, THE STATE SHALL REMIT TO EACH~~
22 ~~COUNTY OR MUNICIPAL CORPORATION AN AMOUNT EQUAL TO ONE HALF OF THE~~
23 ~~FUNDS THAT WOULD HAVE BEEN COLLECTED IF THE PROPERTY TAX CREDIT~~
24 ~~UNDER THIS SECTION HAD NOT BEEN GRANTED.~~

25 ~~(H) (1) QUARTERLY OR MORE FREQUENTLY, THE COUNTY OR MUNICIPAL~~
26 ~~CORPORATION SHALL SUBMIT A REQUEST TO THE DEPARTMENT OF ASSESSMENTS~~
27 ~~AND TAXATION FOR THE AMOUNT REQUIRED BY SUBSECTION (G) OF THIS SECTION.~~

28 ~~(2) WITHIN 5 WORKING DAYS AFTER THE DEPARTMENT OF~~
29 ~~ASSESSMENTS AND TAXATION RECEIVES THE REQUEST FROM THE COUNTY OR~~
30 ~~MUNICIPAL CORPORATION, THE DEPARTMENT SHALL CERTIFY TO THE~~
31 ~~COMPTROLLER THE REIMBURSEMENT DUE TO EACH COUNTY OR MUNICIPAL~~
32 ~~CORPORATION.~~

33 ~~(3) WITHIN 5 WORKING DAYS AFTER THE COMPTROLLER RECEIVES~~
34 ~~THE CERTIFICATION FROM THE DEPARTMENT, THE COMPTROLLER SHALL~~
35 ~~REIMBURSE EACH COUNTY OR MUNICIPAL CORPORATION.~~

36 Article - Insurance

37 6-115.

38 AN INSURER MAY CLAIM A STATE TAX CREDIT AGAINST THE PREMIUM TAX
39 PAYABLE UNDER THIS SUBTITLE FOR NEW OR EXPANDED BUSINESS PREMISES AS
40 PROVIDED UNDER § 9-229(F)(1) OF THE TAX - PROPERTY ARTICLE.

1 Article - Tax - General

2 8-216.

3 A FINANCIAL INSTITUTION MAY CLAIM A STATE TAX CREDIT AGAINST THE
4 FINANCIAL INSTITUTION FRANCHISE TAX PAYABLE UNDER THIS SUBTITLE FOR NEW
5 OR EXPANDED BUSINESS PREMISES AS PROVIDED UNDER § 9-229(F)(1) OF THE TAX -
6 PROPERTY ARTICLE.

7 8-413.

8 A PUBLIC SERVICE COMPANY MAY CLAIM A STATE TAX CREDIT AGAINST THE
9 PUBLIC SERVICE COMPANY FRANCHISE TAX PAYABLE UNDER THIS SUBTITLE FOR
10 NEW OR EXPANDED BUSINESS PREMISES AS PROVIDED UNDER § 9-229(F)(1) OF THE
11 TAX - PROPERTY ARTICLE.

12 10-704.7.

13 AN INDIVIDUAL OR A CORPORATION MAY CLAIM A STATE TAX CREDIT
14 AGAINST THE INCOME TAX FOR NEW OR EXPANDED BUSINESS PREMISES AS
15 PROVIDED UNDER § 9-229(F)(1) OF THE TAX - PROPERTY ARTICLE.

16 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall ~~take effect~~
17 ~~July 1, 1997.~~ be applicable to all taxable years beginning after December 31, 1996 but
18 before January 1, 2006; provided, however, that the tax credits under § 9-229 of the Tax
19 - Property Article, as enacted by Section 1 of this Act, shall be allowed for property and
20 business entities that meet the criteria established in § 9-229(c) of the Tax - Property
21 Article on or after October 1, 1997 but before January 1, 2001; and provided further that
22 any excess State tax credits under § 9-229(f)(1) of the Tax - Property Article may be
23 carried forward and, subject to the limitations under § 9-229(f)(3) of the Tax - Property
24 Article, may be applied as a credit for taxable years beginning on or after January 1, 2003.

25 SECTION 3. AND BE IT FURTHER ENACTED, That, subject to the provisions
26 of Section 2 of this Act, this Act shall take effect October 1, 1997. It shall remain in effect
27 for a period of 3 years and 3 months and, at the end of December 31, 2000, with no
28 further action required by the General Assembly, this Act shall be abrogated and of no
29 further force and effect.