

HOUSE BILL 5

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1998 Regular Session
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(PRE-FILED)

By: **Delegates Hixson, Taylor, Barve, Dewberry, Hurson, Rawlings, Curran, Busch, Guns, Vallario, Harrison, Menes, Kopp, Arnick, Owings, W. Baker, Bozman, E. Burns, Cadden, Conroy, Conway, C. Davis, Dembrow, Doory, Finifter, Franchot, Frank, Frush, Fulton, Goldwater, Hecht, Heller, Howard, Jones, Kagan, Klausmeier, Krysiak, Linton, Love, Mandel, Marriott, McIntosh, V. Mitchell, Morhaim, Nathan-Pulliam, Patterson, Petzold, Pitkin, Preis, Proctor, Rosenberg, Rudolph, Shriver, Slade, Turner, Weir, Wood, and Workman**

Requested: November 15, 1997

Introduced and read first time: January 14, 1998

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Property Tax - Biotechnology and Computer Software - Manufacturing**
3 **Exemption**

4 FOR the purpose of altering the definition of "manufacturing" for property tax
5 purposes to include certain activities relating to biological materials and
6 computer software; providing an exception to an exemption under the property
7 tax for certain property used in research and development; providing for the
8 application of this Act; and generally relating to the property taxation of certain
9 property used in certain activities relating to biological materials and computer
10 software.

11 BY repealing and reenacting, without amendments,
12 Article - Tax - Property
13 Section 1-101(a)
14 Annotated Code of Maryland
15 (1994 Replacement Volume and 1997 Supplement)

16 BY repealing and reenacting, with amendments,
17 Article - Tax - Property
18 Section 1-101(r) and 7-237
19 Annotated Code of Maryland
20 (1994 Replacement Volume and 1997 Supplement)

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

1 **Article - Tax - Property**

2 1-101.

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

4 (r) (1) "Manufacturing" means the process of substantially transforming, or
5 a substantial step in the process of substantially transforming, tangible personal
6 property into a new and different article of tangible personal property by use of labor
7 or machinery.

8 (2) "Manufacturing" includes:

9 (I) the operation of:

10 [(i)] 1. sawmills, grain mills, or feed mills; and

11 [(ii)] 2. machinery and equipment used to extract and process
12 minerals, metals, or earthen materials or by-products that result from the extracting
13 or processing;14 (II) THE IDENTIFICATION, DESIGN, OR GENETIC ENGINEERING OF
15 BIOLOGICAL MATERIALS FOR SALE OR LICENSE, INCLUDING THE SMALL SCALE
16 DEVELOPMENT OF ORGANISMS OR DERIVATIVE BIOLOGICAL MATERIALS FOR
17 RESEARCH APPLICATION OR AS A FINAL PRODUCT FOR A BIOLOGICAL OR
18 MOLECULAR PROCESS; AND19 (III) THE DESIGN, DEVELOPMENT, OR CREATION OF COMPUTER
20 SOFTWARE FOR SALE, LEASE, OR LICENSE, INCLUDING THE ASSEMBLY OF
21 MATERIALS OR COMPONENTS TO PRODUCE AN INTEGRATED SYSTEM OR OTHER
22 PRODUCT.

23 (3) "Manufacturing" does not include:

24 (i) activities that are primarily a service;

25 (ii) activities that are intellectual, artistic, or clerical in nature;

26 [(iii) research and development, as defined under § 7-237 of this
27 article;]28 [(iv)] (III) public utility services, including telephone, gas, electric,
29 water, and steam production services; or30 [(v)] (IV) any other activity that would not commonly be considered
31 as manufacturing.

32 7-237.

33 (a) (1) In this section, "research and development" means:

1 (i) basic and applied research in the sciences and engineering; and

2 (ii) the design, development, and governmentally required
3 pre-market testing of prototypes, products, and processes.

4 (2) "Research and development" does not include:

5 (i) market research;

6 (ii) research in the social sciences or psychology and other
7 nontechnical activities;

8 (iii) routine product testing;

9 (iv) sales services;

10 (v) technical and nontechnical services; or

11 (vi) research and development of a public utility.

12 (b) (1) [All] SUBJECT TO SUBSECTION (D) OF THIS SECTION, ALL
13 machinery, equipment, materials, and supplies are subject to a partial exemption
14 from property tax if consumed in or used primarily in research and development.

15 (2) The partial exemption granted under this subsection:

16 (i) is equal to the assessment of the property in excess of 50% of the
17 original cost of the property; and

18 (ii) shall apply only to property purchased or transferred into the
19 State after December 31, 1994.

20 (c) (1) [In] SUBJECT TO SUBSECTION (D) OF THIS SECTION, IN addition to
21 the partial exemption granted under subsection (b) of this section, the governing body
22 of a municipal corporation or county may provide, by law, an exemption from county
23 or municipal corporation property tax imposed on all machinery, equipment,
24 materials, and supplies if consumed in or used primarily in research and
25 development.

26 (2) The governing body of the municipal corporation or county may
27 provide, by law:

28 (i) for the amount of the property tax exemption under this
29 subsection; and

30 (ii) for the application of the exemption to property purchased or
31 transferred into the State on or before December 31, 1994, as well as to property
32 eligible for the partial exemption under subsection (b) of this section.

33 (3) The governing body of a municipal corporation or county that enacts
34 an exemption under this subsection shall submit a copy of the law to the Department.

1 (4) If the Department receives a copy of the law on or before March 1, the
2 exemption shall be effective for the taxable year following the date the law is enacted.

3 (D) (1) AN EXEMPTION UNDER SUBSECTION (B) OR (C) OF THIS SECTION
4 DOES NOT APPLY TO PROPERTY THAT IS EXEMPT FROM PROPERTY TAX UNDER §
5 7-225 OF THIS SUBTITLE.

6 (2) PARAGRAPH (1) OF THIS SUBSECTION DOES NOT APPLY TO A COUNTY
7 OR MUNICIPAL CORPORATION PROPERTY TAX IF PROPERTY DESCRIBED IN § 7-225 OF
8 THIS SUBTITLE IS SUBJECT TO THE COUNTY OR MUNICIPAL CORPORATION
9 PROPERTY TAX.

10 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
11 October 1, 1998 and shall be applicable to all taxable years beginning after June 30,
12 1999.