
By: **Delegate Pitkin**

Introduced and read first time: February 19, 1998

Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Arts and Entertainment Districts - Income Tax and Sales and Use Tax**

3 FOR the purpose of authorizing the governing body of a county to establish an Arts
4 and Entertainment District within which certain tax benefits for qualifying
5 residing artists would apply; providing a subtraction modification under the
6 income tax for certain income derived within an Arts and Entertainment
7 District by a qualifying residing artist; exempting from the sales and use tax
8 certain sales within an Arts and Entertainment District by qualifying residing
9 artists; defining certain terms; and generally relating to the establishment of
10 Arts and Entertainment Districts within which certain tax benefits for
11 qualifying residing artists would apply.

12 BY adding to
13 Article 83A - Department of Business and Economic Development
14 Section 4-701 to be under the new subtitle "Subtitle 7. Arts and Entertainment
15 Districts"
16 Annotated Code of Maryland
17 (1995 Replacement Volume and 1997 Supplement)

18 BY adding to
19 Article - Tax - General
20 Section 10-207(s) and 11-227
21 Annotated Code of Maryland
22 (1988 Volume and 1997 Supplement)

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

Article 83A - Department of Business and Economic Development

SUBTITLE 7. ARTS AND ENTERTAINMENT DISTRICTS.

3 4-701.

4 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
5 INDICATED.

6 (2) (I) "ARTISTIC WORK" MEANS AN ORIGINAL AND CREATIVE WORK,
7 WHETHER WRITTEN, COMPOSED, OR EXECUTED, THAT FALLS INTO ONE OF THE
8 FOLLOWING CATEGORIES:

- 9 1. A BOOK OR OTHER WRITING;
- 10 2. A PLAY OR THE PERFORMANCE OF A PLAY;
- 11 3. A MUSICAL COMPOSITION OR THE PERFORMANCE OF A
12 COMPOSITION;
- 13 4. A PAINTING OR OTHER PICTURE;
- 14 5. A SCULPTURE;
- 15 6. TRADITIONAL AND FINE CRAFTS;
- 16 7. THE CREATION OF A FILM OR THE ACTING WITHIN A FILM;
17 OR
- 18 8. THE CREATION OF A DANCE OR THE PERFORMANCE OF A
19 DANCE.

20 (II) "ARTISTIC WORK" INCLUDES ANY PRODUCT GENERATED AS A
21 RESULT OF ANY OF THE CATEGORIES LISTED UNDER SUBPARAGRAPH (I) OF THIS
22 PARAGRAPH.

23 (III) "ARTISTIC WORK" DOES NOT INCLUDE ANY PIECE OR
24 PERFORMANCE CREATED OR EXECUTED FOR INDUSTRY-ORIENTED OR
25 INDUSTRY-RELATED PRODUCTION.

26 (3) "ARTS AND ENTERTAINMENT DISTRICT" MEANS AN ARTS AND
27 ENTERTAINMENT DISTRICT ESTABLISHED BY A COUNTY UNDER THIS SECTION.

28 (4) "QUALIFYING RESIDING ARTIST" MEANS AN INDIVIDUAL WHO:

29 (I) RESIDES IN AN ARTS AND ENTERTAINMENT DISTRICT AND
30 CONDUCTS A BUSINESS IN THE ARTS AND ENTERTAINMENT DISTRICT;

31 (II) DERIVES INCOME FROM THE SALE OR PERFORMANCE WITHIN
32 THE ARTS AND ENTERTAINMENT DISTRICT OF AN ARTISTIC WORK THAT THE

1 INDIVIDUAL WROTE, COMPOSED, OR EXECUTED, EITHER SOLELY OR JOINTLY WITH
2 ANOTHER INDIVIDUAL.

3 (B) SUBJECT TO THE REQUIREMENTS OF THIS SECTION, THE MAYOR AND
4 CITY COUNCIL OF BALTIMORE CITY OR THE GOVERNING BODY OF A COUNTY MAY
5 ESTABLISH AN ARTS AND ENTERTAINMENT DISTRICT IN THE COUNTY IN WHICH
6 QUALIFYING RESIDING ARTISTS ARE ELIGIBLE FOR THE INCOME TAX SUBTRACTION
7 MODIFICATION UNDER § 10-207(S) OF THE TAX - GENERAL ARTICLE AND IN WHICH
8 THE SALES AND USE TAX EXEMPTION UNDER § 11-227 OF THE TAX - GENERAL
9 ARTICLE APPLIES.

10 (C) AN ARTS AND ENTERTAINMENT DISTRICT SHALL BE A CONTIGUOUS
11 GEOGRAPHIC AREA OF A COUNTY THAT IS WHOLLY WITHIN A PRIORITY FUNDING
12 AREA AS PROVIDED UNDER § 5-7B-02 OF THE STATE FINANCE AND PROCUREMENT
13 ARTICLE.

14 (D) (1) A COUNTY SHALL GIVE THE COMPTROLLER NOTICE OF THE
15 ESTABLISHMENT OF AN ARTS AND ENTERTAINMENT DISTRICT ON OR BEFORE JULY 1
16 PRIOR TO ITS EFFECTIVE DATE.

17 (2) THE SUBTRACTION MODIFICATION UNDER § 10-207(S) OF THE TAX -
18 GENERAL ARTICLE SHALL BE APPLICABLE TO ALL TAXABLE YEARS BEGINNING
19 AFTER DECEMBER 31 OF THE YEAR IN WHICH THE NOTICE UNDER PARAGRAPH (1) OF
20 THIS SUBSECTION IS PROVIDED.

21 (3) THE SALES AND USE TAX EXEMPTION UNDER § 11-227 OF THE TAX -
22 GENERAL ARTICLE SHALL TAKE EFFECT THE FIRST JANUARY 1 AFTER THE NOTICE
23 UNDER PARAGRAPH (1) OF THIS SUBSECTION IS PROVIDED.

24 **Article - Tax - General**

25 10-207.

26 (S) (1) IN THIS SUBSECTION, "ARTISTIC WORK", "ARTS AND
27 ENTERTAINMENT DISTRICT", AND "QUALIFYING RESIDING ARTIST" HAVE THE
28 MEANINGS STATED IN ARTICLE 83A, § 4-701 OF THE CODE.

29 (2) THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION
30 INCLUDES THE AMOUNT OF INCOME DERIVED WITHIN AN ARTS AND
31 ENTERTAINMENT DISTRICT BY A QUALIFYING RESIDING ARTIST FROM THE
32 PUBLICATION, PRODUCTION, OR SALE OF AN ARTISTIC WORK THAT THE ARTIST
33 WROTE, COMPOSED, OR EXECUTED.

34 (3) FOR PURPOSES OF DETERMINING WHETHER INCOME IS DERIVED
35 WITHIN AN ARTS AND ENTERTAINMENT DISTRICT FOR PURPOSES OF THIS
36 SUBSECTION, A QUALIFYING RESIDING ARTIST SHALL ALLOCATE RECEIPTS AND
37 EXPENSES AS THE COMPTROLLER MAY REQUIRE.

1 11-227.

2 (A) IN THIS SECTION, "ARTISTIC WORK", "ARTS AND ENTERTAINMENT
3 DISTRICT", AND "QUALIFYING RESIDING ARTIST" HAVE THE MEANINGS STATED IN
4 ARTICLE 83A, § 4-701 OF THE CODE.

5 (B) THE SALES AND USE TAX DOES NOT APPLY TO THE SALE OF AN ARTISTIC
6 WORK WITHIN AN ARTS AND ENTERTAINMENT DISTRICT IF THE SALE IS MADE BY A
7 QUALIFYING RESIDING ARTIST WHOSE PRINCIPAL PLACE OF BUSINESS IS LOCATED
8 IN THE ARTS AND ENTERTAINMENT DISTRICT.

9 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
10 October 1, 1998.