

---

By: **Montgomery County Delegation**  
Introduced and read first time: February 8, 1999  
Assigned to: Ways and Means

---

A BILL ENTITLED

1 AN ACT concerning

2 **Montgomery County - Arts and Entertainment Districts - Income Tax and**  
3 **Sales and Use Tax**  
4 **MC 916-99**

5 FOR the purpose of authorizing the governing body of Montgomery County to  
6 establish an arts and entertainment district in which certain tax benefits for  
7 qualifying resident artists and qualifying arts organizations would apply;  
8 providing a subtraction modification under the income tax for certain income  
9 derived in an arts and entertainment district by a qualifying resident artist or a  
10 qualifying arts organization; exempting from the sales and use tax certain  
11 transactions in an arts and entertainment district by a qualifying resident artist  
12 or a qualifying arts organization; defining certain terms; and generally relating  
13 to the creation of arts and entertainment districts in which certain tax benefits  
14 for qualifying resident artists and qualifying arts organizations apply.

15 BY adding to  
16 Article 83A - Department of Business and Economic Development  
17 Section 4-701 to be under the new subtitle "Subtitle 7. Arts and Entertainment  
18 Districts"  
19 Annotated Code of Maryland  
20 (1998 Replacement Volume)

21 BY repealing and reenacting, without amendments,  
22 Article - Tax - General  
23 Section 10-207(a) and 10-307(a)  
24 Annotated Code of Maryland  
25 (1997 Replacement Volume and 1998 Supplement)

26 BY adding to  
27 Article - Tax - General  
28 Section 10-207(t) and 11-227  
29 Annotated Code of Maryland

1 (1997 Replacement Volume and 1998 Supplement)

2 BY repealing and reenacting, with amendments,

3 Article - Tax - General

4 Section 10-307(g)

5 Annotated Code of Maryland

6 (1997 Replacement Volume and 1998 Supplement)

7 BY repealing and reenacting, without amendments,

8 Article - State Finance and Procurement

9 Section 5-7B-02

10 Annotated Code of Maryland

11 (1995 Replacement Volume and 1998 Supplement)

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

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

15 **SUBTITLE 7. ARTS AND ENTERTAINMENT DISTRICTS.**

16 4-701.

17 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
18 INDICATED.

19 (2) (I) "ARTISTIC WORK" MEANS A WRITTEN, COMPOSED, OR  
20 EXECUTED ORIGINAL WORK THAT IS:

21 1. A BOOK OR OTHER WRITING;

22 2. A PLAY OR THE PERFORMANCE OF A PLAY;

23 3. A MUSICAL COMPOSITION OR THE PERFORMANCE OF A  
24 MUSICAL COMPOSITION;

25 4. A PAINTING OR OTHER PICTURE;

26 5. A SCULPTURE;

27 6. TRADITIONAL AND FINE CRAFTS;

28 7. THE CREATION OF A FILM OR ACTING IN A FILM; OR

29 8. THE CREATION OF A DANCE OR THE PERFORMANCE OF A  
30 DANCE.

31 (II) "ARTISTIC WORK" INCLUDES A PRODUCT GENERATED AS A  
32 RESULT OF AN ARTISTIC WORK.

1 (III) "ARTISTIC WORK" DOES NOT INCLUDE A PIECE OR  
2 PERFORMANCE WRITTEN, COMPOSED, OR EXECUTED FOR INDUSTRY-ORIENTED OR  
3 INDUSTRY-RELATED PRODUCTION.

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

6 (4) "QUALIFYING ARTS ORGANIZATION" MEANS A PERSON THAT:

7 (I) HAS ITS PRINCIPAL PLACE OF BUSINESS IN AN ARTS AND  
8 ENTERTAINMENT DISTRICT; AND

9 (II) DERIVES INCOME FROM THE SALE OR PERFORMANCE OF  
10 ARTISTIC WORKS IN THE ARTS AND ENTERTAINMENT DISTRICT.

11 (5) "QUALIFYING RESIDENT ARTIST" MEANS AN INDIVIDUAL WHO:

12 (I) RESIDES IN AN ARTS AND ENTERTAINMENT DISTRICT;

13 (II) CONDUCTS A BUSINESS IN THE ARTS AND ENTERTAINMENT  
14 DISTRICT; AND

15 (III) DERIVES INCOME FROM THE SALE OR PERFORMANCE IN THE  
16 ARTS AND ENTERTAINMENT DISTRICT OF ARTISTIC WORKS.

17 (B) (1) SUBJECT TO THE REQUIREMENTS OF THIS SECTION, THE  
18 GOVERNING BODY OF MONTGOMERY COUNTY MAY ESTABLISH AN ARTS AND  
19 ENTERTAINMENT DISTRICT IN THE COUNTY.

20 (2) THE GOVERNING BODY OF MONTGOMERY COUNTY SHALL GIVE THE  
21 COMPTROLLER NOTICE OF THE ESTABLISHMENT OF AN ARTS AND ENTERTAINMENT  
22 DISTRICT BEFORE JULY 1 PRIOR TO ITS EFFECTIVE DATE.

23 (C) AN ARTS AND ENTERTAINMENT DISTRICT SHALL BE A CONTIGUOUS  
24 GEOGRAPHIC AREA OF THE COUNTY THAT IS WHOLLY IN A PRIORITY FUNDING AREA  
25 AS PROVIDED UNDER § 5-7B-02 OF THE STATE FINANCE AND PROCUREMENT  
26 ARTICLE.

27 (D) (1) QUALIFYING RESIDENT ARTISTS AND QUALIFYING ARTS  
28 ORGANIZATIONS ARE ELIGIBLE FOR THE INCOME TAX SUBTRACTION MODIFICATION  
29 UNDER § 10-207(T) OR § 10-307(G) OF THE TAX - GENERAL ARTICLE.

30 (2) THE SUBTRACTION MODIFICATION UNDER § 10-207(T) OR § 10-307(G)  
31 OF THE TAX - GENERAL ARTICLE SHALL APPLY TO ALL TAXABLE YEARS BEGINNING  
32 AFTER DECEMBER 31 OF THE YEAR IN WHICH THE NOTICE REQUIRED UNDER  
33 SUBSECTION (B) (2) OF THIS SECTION IS PROVIDED.

34 (E) (1) THE SALES AND USE TAX EXEMPTION UNDER § 11-227 OF THE TAX -  
35 GENERAL ARTICLE APPLIES TO A SALE OF AN ARTISTIC WORK THAT IS PURCHASED

1 IN AN ARTS AND ENTERTAINMENT DISTRICT FROM A QUALIFYING RESIDENT ARTIST  
2 OR A QUALIFYING ARTS ORGANIZATION.

3 (2) THE SALES AND USE TAX EXEMPTION UNDER § 11-227 OF THE TAX -  
4 GENERAL ARTICLE SHALL BE EFFECTIVE ON THE FIRST JANUARY 1 AFTER THE  
5 NOTICE REQUIRED UNDER SUBSECTION (B)(2) OF THIS SECTION IS PROVIDED.

6 **Article - Tax - General**

7 10-207.

8 (a) To the extent included in federal adjusted gross income, the amounts under  
9 this section are subtracted from the federal adjusted gross income of a resident to  
10 determine Maryland adjusted gross income.

11 (T) (1) IN THIS SUBSECTION, "ARTISTIC WORK", "ARTS AND  
12 ENTERTAINMENT DISTRICT", "QUALIFYING RESIDENT ARTIST", AND "QUALIFYING  
13 ARTS ORGANIZATION" HAVE THE MEANINGS STATED IN ARTICLE 83A, § 4-701 OF THE  
14 CODE.

15 (2) THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION  
16 INCLUDES INCOME RECEIVED BY:

17 (I) A QUALIFYING RESIDENT ARTIST FROM A SALE OR  
18 PERFORMANCE IN AN ARTS AND ENTERTAINMENT DISTRICT OF AN ARTISTIC WORK  
19 THAT THE INDIVIDUAL SOLELY OR COLLABORATIVELY WROTE, COMPOSED, OR  
20 EXECUTED; AND

21 (II) A QUALIFYING ARTS ORGANIZATION FROM A SALE OR  
22 PERFORMANCE IN AN ARTS AND ENTERTAINMENT DISTRICT OF AN ARTISTIC WORK.  
23 10-307.

24 (a) To the extent included in federal taxable income, the amounts under this  
25 section are subtracted from the federal taxable income of a corporation to determine  
26 Maryland modified income.

27 (g) The subtraction under subsection (a) of this section includes the amounts  
28 allowed to be subtracted for an individual under:

29 (1) § 10-207(i) of this title (Profits on sale or exchange of State or local  
30 bonds);

31 (2) § 10-207(k) of this title (Relocation and assistance payments);

32 (3) § 10-207(m) of this title (State or local income tax refunds); [or]

33 (4) § 10-207(c-1) of this title (State tax exempt interest from mutual  
34 funds); OR

1 (5) § 10-207(T) OF THIS TITLE (INCOME FROM SALE OR PERFORMANCE IN  
2 AN ARTS AND ENTERTAINMENT DISTRICT OF AN ARTISTIC WORK).

3 11-227.

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

7 (B) THE SALES AND USE TAX DOES NOT APPLY TO A SALE OF AN ARTISTIC  
8 WORK THAT IS PURCHASED IN AN ARTS AND ENTERTAINMENT DISTRICT FROM A  
9 QUALIFYING RESIDENT ARTIST OR A QUALIFYING ARTS ORGANIZATION.

#### 10 **Article - State Finance and Procurement**

11 5-7B-02.

12 The following areas shall be considered priority funding areas under this  
13 subtitle:

14 (1) a municipal corporation, including Baltimore City, except those areas  
15 annexed by a municipal corporation after January 1, 1997 shall satisfy the  
16 requirements relating to density and service by water and sewer set forth in §  
17 5-7B-03 of this subtitle;

18 (2) a designated neighborhood, as defined in Article 83B, § 4-202 of the  
19 Code;

20 (3) an enterprise zone as designated under Article 83A, § 5-402 of the  
21 Code, or by the United States government;

22 (4) a certified heritage area as defined in §§ 13-1101 and 13-1111 of the  
23 Financial Institutions Article that is located within a locally designated growth area;

24 (5) those areas of the State located between Interstate Highway 495 and  
25 the District of Columbia;

26 (6) those areas of the State located between Interstate Highway 695 and  
27 Baltimore City; and

28 (7) an area designated by the governing body of a county under §  
29 5-7B-03 of this subtitle.

30 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
31 October 1, 1999.