

HOUSE BILL 68

Unofficial Copy  
Q7

2001 Regular Session  
11r0461

(PRE-FILED)

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By: **Delegate Pitkin**  
Requested: September 11, 2000  
Introduced and read first time: January 10, 2001  
Assigned to: Economic Matters and Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

2 **Arts and Entertainment Districts - Income Tax, Sales and Use Tax, and**  
3 **Property Tax**

4 FOR the purpose of authorizing the governing body of a county or municipal  
5 corporation to establish an arts and entertainment district within which certain  
6 tax benefits for qualifying residing artists would apply; providing a subtraction  
7 modification under the income tax for certain income derived within an arts and  
8 entertainment district by a qualifying residing artist; exempting from the sales  
9 and use tax certain sales within an arts and entertainment district by qualifying  
10 residing artists; defining certain terms; authorizing the governing body of a  
11 county or municipal corporation to grant, by law, a property tax credit against  
12 the county or municipal corporation property tax imposed on certain buildings  
13 located in a certain district and renovated as housing for certain individuals;  
14 limiting the duration of the property tax credit; and generally relating to  
15 authorizing the governing body of a county or municipal corporation to establish  
16 an arts and entertainment district within which certain tax benefits for  
17 qualifying residing artists would apply.

18 BY adding to  
19 Article 83A - Department of Business and Economic Development  
20 Section 4-701 to be under the new subtitle "Subtitle 7. Arts and Entertainment  
21 Districts"  
22 Annotated Code of Maryland  
23 (1998 Replacement Volume and 2000 Supplement)

24 BY adding to  
25 Article - Tax - General  
26 Section 10-207(v) and 11-229  
27 Annotated Code of Maryland  
28 (1997 Replacement Volume and 2000 Supplement)

29 BY adding to  
30 Article - Tax - Property

1 Section 9-239  
2 Annotated Code of Maryland  
3 (1994 Replacement Volume and 2000 Supplement)

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

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

7 SUBTITLE 7. ARTS AND ENTERTAINMENT DISTRICTS.

8 4-701.

9 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
10 INDICATED.

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

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

25 (II) "ARTISTIC WORK" INCLUDES ANY PRODUCT GENERATED AS A  
26 RESULT OF ANY OF THE CATEGORIES LISTED UNDER SUBPARAGRAPH (I) OF THIS  
27 PARAGRAPH.

28 (III) "ARTISTIC WORK" DOES NOT INCLUDE ANY PIECE OR  
29 PERFORMANCE CREATED OR EXECUTED FOR INDUSTRY-ORIENTED OR  
30 INDUSTRY-RELATED PRODUCTION.

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

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

2 (I) RESIDES AT LEAST 180 DAYS ANNUALLY IN AN ARTS AND  
3 ENTERTAINMENT DISTRICT AND CONDUCTS A BUSINESS IN THE ARTS AND  
4 ENTERTAINMENT DISTRICT; AND

5 (II) DERIVES INCOME FROM THE SALE OR PERFORMANCE WITHIN  
6 THE ARTS AND ENTERTAINMENT DISTRICT OF AN ARTISTIC WORK THAT THE  
7 INDIVIDUAL WROTE, COMPOSED, OR EXECUTED, EITHER SOLELY OR WITH ANOTHER  
8 INDIVIDUAL.

9 (B) SUBJECT TO THE REQUIREMENTS OF THIS SECTION, THE MAYOR AND  
10 CITY COUNCIL OF BALTIMORE CITY OR THE GOVERNING BODY OF A COUNTY MAY  
11 ESTABLISH AN ARTS AND ENTERTAINMENT DISTRICT IN THE COUNTY IN WHICH:

12 (1) QUALIFYING RESIDING ARTISTS ARE ELIGIBLE FOR THE INCOME  
13 TAX SUBTRACTION MODIFICATION UNDER § 10-207(V) OF THE TAX - GENERAL  
14 ARTICLE;

15 (2) THE SALES AND USE TAX EXEMPTION UNDER § 11-229 OF THE TAX -  
16 GENERAL ARTICLE APPLIES; AND

17 (3) A PROPERTY TAX CREDIT UNDER § 9-239 OF THE TAX - PROPERTY  
18 ARTICLE APPLIES.

19 (C) AN ARTS AND ENTERTAINMENT DISTRICT SHALL BE A CONTIGUOUS  
20 GEOGRAPHIC AREA OF A COUNTY THAT IS:

21 (1) WHOLLY WITHIN A PRIORITY FUNDING AREA AS PROVIDED UNDER §  
22 5-7B-02 OF THE STATE FINANCE AND PROCUREMENT ARTICLE; AND

23 (2) WHOLLY WITHIN A DESIGNATED NEIGHBORHOOD AS DEFINED  
24 UNDER ARTICLE 83B, § 4-202 OF THE CODE.

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

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

32 (3) THE SALES AND USE TAX EXEMPTION UNDER § 11-229 OF THE TAX -  
33 GENERAL ARTICLE SHALL TAKE EFFECT THE FIRST JANUARY 1 AFTER THE NOTICE  
34 UNDER PARAGRAPH (1) OF THIS SUBSECTION IS PROVIDED.

**Article - Tax - General**

10-207.

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

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

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

11-229.

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

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

**Article - Tax - Property**

9-239.

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

(B) THE GOVERNING BODY OF A COUNTY OR MUNICIPAL CORPORATION MAY GRANT, BY LAW, A PROPERTY TAX CREDIT AGAINST THE COUNTY OR MUNICIPAL CORPORATION PROPERTY TAX IMPOSED ON A MANUFACTURING, COMMERCIAL, OR INDUSTRIAL BUILDING THAT:

(1) IS LOCATED IN AN ARTS AND ENTERTAINMENT DISTRICT; AND

(2) IS WHOLLY OR PARTIALLY RENOVATED FOR USE AS HOUSING FOR QUALIFYING RESIDING ARTISTS.

(C) A TAX CREDIT GRANTED UNDER THIS SECTION MAY NOT BE GRANTED FOR MORE THAN 10 YEARS.

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
2 July 1, 2001.