

---

By: **Delegates Hill, Valderrama, and Patterson**  
Introduced and read first time: February 9, 2001  
Assigned to: Ways and Means

---

A BILL ENTITLED

1 AN ACT concerning

2 **Enterprise Zones - Tax Credits**

3 FOR the purpose of altering the amount of certain income tax credits allowed to  
4 certain business entities for certain wages paid to employees in an enterprize  
5 zone; altering the amount of certain income tax credits allowed to certain  
6 business entities for certain wages paid to employees in a focus area; requiring  
7 an employer to pay at least a certain wage to an employee being claimed for an  
8 enterprise zone wage tax credit; raising, to a certain number, the weekly number  
9 of hours required to be worked by an employee being claimed for an enterprise  
10 zone wage tax credit; requiring the Department of Business and Economic  
11 Development to submit an annual report to the General Assembly about the  
12 status of the State's enterprise zone program by a certain date every year; and  
13 generally relating to enterprise zones and tax credits.

14 BY repealing and reenacting, with amendments,  
15 Article - Tax - General  
16 Section 10-702  
17 Annotated Code of Maryland  
18 (1997 Replacement Volume and 2000 Supplement)

19 BY adding to  
20 Article 83A - Department of Business and Economic Development  
21 Section 5-405  
22 Annotated Code of Maryland  
23 (1998 Replacement Volume and 2000 Supplement)

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

26 **Article - Tax - General**

27 10-702.

28 (a) (1) In this section the following words have the meanings indicated.

1 (2) (i) "Business entity" means:

2 1. a person conducting or operating a trade or business; or

3 2. an organization that is exempt from taxation under §  
4 501(c)(3) or (4) of the Internal Revenue Code.

5 (ii) "Business entity" does not include a person owning, operating,  
6 developing, constructing, or rehabilitating property intended for use primarily as  
7 single or multifamily residential property located within the enterprise zone.

8 (3) "Enterprise zone" means an area designated under Article 83A, §  
9 5-402 of the Code.

10 (4) "Qualified employee" means an individual who:

11 (i) is a new employee or an employee rehired after being laid off for  
12 more than one year by a business entity;

13 (ii) is employed by a business entity at least [25] 35 hours each  
14 week for at least 6 months before or during the taxable year for which the entity  
15 claims a credit;

16 (iii) spends at least 50% of the hours under item (ii) of this  
17 paragraph, either in the enterprise zone or on activities of the business entity  
18 resulting directly from its location in the enterprise zone; [and]

19 (IV) IS PAID AT LEAST 150% OF THE FEDERAL MINIMUM WAGE  
20 THROUGHOUT HIS OR HER EMPLOYMENT BY A BUSINESS ENTITY BEFORE OR  
21 DURING THE TAXABLE YEAR FOR WHICH THE ENTITY CLAIMS A CREDIT; AND

22 [(iv)] (V) is hired by the business entity after the later of:

23 1. the date on which the enterprise zone is designated; or

24 2. the date on which the business entity locates in the  
25 enterprise zone.

26 (5) "Economically disadvantaged individual" means an individual who is  
27 certified by provisions that the Department of Labor, Licensing, and Regulation  
28 adopts as an individual who, before becoming employed by a business entity in an  
29 enterprise zone:

30 (i) was both unemployed for at least 30 consecutive days and  
31 qualified to participate in training activities for the economically disadvantaged  
32 under Title II, Part B of the federal Job Training Partnership Act or its successor; or

33 (ii) in the absence of an applicable federal act, met the criteria for  
34 an economically disadvantaged individual that the Secretary of Labor, Licensing, and  
35 Regulation sets.

1 (6) "Focus area" has the meaning stated in Article 83A, § 5-401 of the  
2 Code.

3 (7) "Focus area employee" means an individual who:

4 (i) is a new employee or an employee rehired after being laid off for  
5 more than 1 year by a business entity;

6 (ii) is employed by a business entity at least 35 hours each week for  
7 at least 12 months before or during the taxable year for which the entity claims a  
8 credit;

9 (iii) spends at least 50 percent of the hours under item (ii) of this  
10 paragraph either in the focus area or on activities of the business entity resulting  
11 directly from its location in the focus area;

12 (iv) is hired by the business entity after the later of:

13 1. the date on which the focus area is designated; or

14 2. the date on which the business entity located in the focus  
15 area; and

16 (v) earns at least 150 percent of the federal minimum wage.

17 (b) (1) Any business entity that is located in an enterprise zone and satisfies  
18 the requirements of Article 83A, § 5-404 of the Code may claim a credit only against  
19 the State income tax for the wages specified in subsections (c) and (d) of this section  
20 that are paid in the taxable year for which the entity claims the credit.

21 (2) A business entity that is located in a focus area and satisfies the  
22 requirements of Article 83A, § 5-404 of the Code may claim a credit only against the  
23 State income tax for the wages specified in subsection (e) of this section that are paid  
24 to a focus area employee in the taxable year for which the entity claims the credit.

25 (3) An organization that is exempt from taxation under § 501(c)(3) or (4)  
26 of the Internal Revenue Code may apply the credit under this section as a credit  
27 against income tax due on unrelated business taxable income as provided under §§  
28 10-304 and 10-812 of this title.

29 (c) If a business entity does not claim an enhanced tax credit under subsection  
30 (e) of this section for a focus area employee, for the taxable year in which a business  
31 entity satisfies the requirements of Article 83A, § 5-404 of the Code, a credit is  
32 allowed that equals:

33 (1) up to [\$1,500] \$3,000 of the wages paid to each qualified employee  
34 who:

35 (i) is an economically disadvantaged individual; and

1 (ii) is not hired to replace an individual whom the business entity  
2 employed in that or any of the 3 preceding taxable years; and

3 (2) up to [\$500] \$1,000 of the wages paid to each qualified employee who:

4 (i) is not an economically disadvantaged individual; and

5 (ii) is not hired to replace an individual whom the business entity  
6 employed in that or any of the 3 preceding taxable years.

7 (d) (1) If a business entity does not claim an enhanced tax credit under  
8 subsection (e) of this section for a focus area employee, for each taxable year after the  
9 taxable year described in subsection (c) of this section, while the area is designated an  
10 enterprise zone, a credit is allowed that equals:

11 (i) up to [\$1,500] \$3,000 of the wages paid to each qualified  
12 employee who:

13 1. is an economically disadvantaged individual

14 2. became a qualified employee during the taxable year to  
15 which the credit applies; and

16 3. is not hired to replace an individual whom the business  
17 entity employed in that or any of the 3 preceding taxable years;

18 (ii) up to [\$1,000] \$2,000 of the wages paid to each qualified  
19 employee who is an economically disadvantaged individual, if the business entity  
20 received a credit under subsection (c)(1) of this section for the qualified employee in  
21 the immediately preceding taxable year; and

22 (iii) up to [\$500] \$1,000 of the wages paid to each qualified employee  
23 who is not hired to replace an individual whom the business entity employed in that  
24 or any of the 3 preceding taxable years if the qualified employee:

25 1. is an economically disadvantaged individual for whom the  
26 business entity received a credit under subsection (c)(1) of this section or item (i) of  
27 this paragraph and a credit under item (ii) of this paragraph in the 2 immediately  
28 preceding taxable years; or

29 2. is not an economically disadvantaged individual but  
30 became a qualified employee during the taxable year to which the credit applies.

31 (2) A business entity that hires a qualified employee to replace another  
32 qualified employee for whom the business entity received a credit under subsection  
33 (c)(1) of this section and paragraph (1)(ii) of this subsection in the immediately  
34 preceding taxable year may treat the new qualified employee as the replacement for  
35 the other qualified employee to determine any credit that may be available to the  
36 business entity under paragraph (1)(ii) or (iii) of this subsection.

1 (e) (1) For the taxable year in which a business entity satisfies the  
2 requirements of Article 83A, §§ 5-402(k) and 5-404 of the Code, a credit is allowed  
3 that equals:

4 (i) up to [\$3,000] \$4,500 of the wages paid to each focus area  
5 employee who:

- 6 1. is an economically disadvantaged individual; and  
7 2. is not hired to replace an individual whom the business  
8 entity employed in that year or any of the 3 preceding taxable years; and

9 (ii) up to [\$1,000] \$1,500 of the wages paid to each focus area  
10 employee who:

- 11 1. is not an economically disadvantaged individual; and  
12 2. is not hired to replace an individual whom the business  
13 entity employed in that year or any of the 3 preceding taxable years.

14 (2) For each taxable year after the taxable year described in paragraph  
15 (1) of this subsection, while the area is designated a focus area, a credit is allowed  
16 that equals:

17 (i) up to [\$3,000] \$4,500 of the wages paid to each focus area  
18 employee who:

- 19 1. is an economically disadvantaged individual;  
20 2. became a focus area employee during the taxable year to  
21 which the credit applies; and  
22 3. is not hired to replace an individual whom the business  
23 entity employed in that year or any of the 3 preceding taxable years;

24 (ii) up to [\$2,000] \$3,000 of the wages paid to each focus area  
25 employee who is an economically disadvantaged individual, if the business entity  
26 received a credit under paragraph (1)(i) of this subsection for the focus area employee  
27 in the immediately preceding taxable year; and

28 (iii) up to [\$1,000] \$1,500 of the wages paid to each focus area  
29 employee who is not hired to replace an individual whom the business entity  
30 employed in that year or any of the 3 preceding taxable years if the focus area  
31 employee:

32 1. is an economically disadvantaged individual for whom the  
33 business entity received a credit under item (ii) of this paragraph in the 2  
34 immediately preceding taxable years and under:

35 A. paragraph (1)(i) of this subsection; or

1                                   B.        item (i) of this paragraph; or  
2                                   2.        is not an economically disadvantaged individual but  
3 became a focus area employee during the taxable year to which the credit applies.

4                   (3)        A business entity that hires a focus area employee to replace another  
5 focus area employee for whom the business entity received a credit under paragraph  
6 (1)(i) of this subsection and paragraph (2)(ii) of this subsection in the immediately  
7 preceding taxable year may treat the focus area employee as the replacement for the  
8 other focus area employee to determine any credit that may be available to the  
9 business entity under paragraph (2)(ii) or (iii) of this subsection.

10       (f)        If the credit allowed under this section in any taxable year exceeds the  
11 State income tax for that taxable year, a business entity may apply the excess as a  
12 credit against the State income tax for succeeding taxable years until the earlier of:

13                   (1)        the full amount of the excess is used; or

14                   (2)        the expiration of the 5th taxable year from the date on which the  
15 business entity hired the qualified employee to whom the credit first applies.

16       (g)        If a credit is claimed under this section, the claimant must make the  
17 addition required in § 10-205, § 10-206, or § 10-306 of this title.

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

19 5-405.

20       ON OR BEFORE JULY 15, 2002, AND ON OR BEFORE JULY 15 EVERY YEAR  
21 THEREAFTER, SUBJECT TO § 2-1246 OF THE STATE GOVERNMENT ARTICLE, THE  
22 DEPARTMENT SHALL SUBMIT AN ANNUAL REPORT TO THE GENERAL ASSEMBLY  
23 REGARDING THE STATUS OF THE ENTERPRISE ZONES ESTABLISHED UNDER THIS  
24 SUBTITLE.

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