

SENATE BILL 819

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2001 Regular Session
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By: **Senators Roesser and McFadden**
Introduced and read first time: February 15, 2001
Assigned to: Rules

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.