
By: **Delegate Marriott (Baltimore City Administration)**

Introduced and read first time: February 6, 2002

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Qualified Distressed Counties - State Assisted Tax Increment Financing**

3 FOR the purpose of authorizing a local jurisdiction that establishes certain
4 development districts to pledge towards the repayment of certain bonds certain
5 amounts remitted by the State to the local jurisdiction; authorizing the
6 Secretary of Business and Economic Development to approve certain
7 development districts for certain State assistance under certain circumstances;
8 providing that for a development district that is approved by the Secretary for
9 certain State assistance, the State, as provided in the State budget, shall remit
10 to the local jurisdiction a certain amount equal to a portion of certain State tax
11 revenues attributable to the development district and, under certain
12 circumstances, a certain amount equal to a portion of local property tax
13 revenues attributable to the property tax increment for the development district
14 pledged towards the repayment of certain bonds; requiring a local jurisdiction
15 establishing a development district that is approved by the Secretary of
16 Business and Economic Development for certain State assistance to pledge
17 towards the repayment of certain bonds at least a certain portion of certain
18 payments received from the State; requiring the Comptroller and the Director of
19 the State Department of Assessments and Taxation to certify certain tax
20 revenues attributable to a development district that is approved by the
21 Secretary for certain State assistance for certain years; altering the amount that
22 the State is required to remit to a county or municipal corporation for certain
23 property tax credits granted for property located in an enterprise zone if the
24 property is located in a qualified economically distressed county or in a certain
25 area of the State; requiring a county or municipal corporation to use certain
26 amounts remitted by the State to the county or municipal corporation only for
27 certain purposes; and generally relating to certain State assistance for tax
28 increment financing in certain areas of the State.

29 BY repealing and reenacting, with amendments,
30 The Charter of Baltimore City
31 Article II - General Powers
32 Section (62)(a) and (d)
33 (1996 Edition and 2000 Supplement, as amended)
34 (As enacted by Chapter 170 of the Acts of the General Assembly of 2001)

1 BY repealing and reenacting, with amendments,
2 Article 41 - Governor - Executive and Administrative Departments
3 Section 14-204 and 14-206
4 Annotated Code of Maryland
5 (1997 Replacement Volume and 2001 Supplement)

6 BY adding to
7 Article 83A - Department of Business and Economic Development
8 Section 5-1701 through 5-1704, inclusive, to be under the new subtitle "Subtitle
9 17. State Assisted Tax Increment Financing"
10 Annotated Code of Maryland
11 (1998 Replacement Volume and 2001 Supplement)

12 BY repealing and reenacting, with amendments,
13 Article - Tax - Property
14 Section 9-103(h)
15 Annotated Code of Maryland
16 (2001 Replacement Volume and 2001 Supplement)

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

19 **The Charter of Baltimore City**

20 Article II - General Powers

21 The Mayor and City Council of Baltimore shall have full power and authority to
22 exercise all of the powers heretofore or hereafter granted to it by the Constitution of
23 Maryland or by any Public General or Public Local Laws of the State of Maryland;
24 and in particular, without limitation upon the foregoing, shall have power by
25 ordinance, or such other method as may be provided for in its Charter, subject to the
26 provisions of said Constitution and Public General Laws:

27 (62)

28 (a) (1) To borrow money by issuing and selling bonds, at any time and from
29 time to time, for the purpose of financing and refinancing the development of an
30 industrial, commercial, or residential area in Baltimore City. Such bonds shall be
31 payable from and secured by a pledge of the special fund described in subsection
32 (d)(3)(ii) of this section and the Mayor and City Council of Baltimore may also
33 establish sinking funds, establish debt service reserve funds, or pledge other assets
34 and revenues towards the payments of the principal and interest, including revenues
35 received by the Mayor and City Council of Baltimore pursuant to a development
36 agreement.

1 (2) (i) In lieu of the pledges set forth in paragraph (1) of this
2 subsection, the authorizing ordinance or trust agreement, subject to subparagraphs
3 (ii) and (iii) of this paragraph, may pledge or assign:

4 1. All or any part of that portion of the revenues and receipts
5 from the taxes representing the levy on the tax increment that would normally be
6 paid to the Mayor and City Council of Baltimore to the payment of such principal and
7 interest;

8 2. The special fund described in subsection (d)(3)(ii) of this
9 section and any other fund into which all or any part of such revenues and receipts
10 are deposited after such revenues and receipts are appropriated by the Mayor and
11 City Council of Baltimore to the payment of such principal and interest; [and]

12 3. AMOUNTS REMITTED TO THE MAYOR AND CITY COUNCIL
13 OF BALTIMORE BY THE STATE UNDER § 9-103(H) OF THE TAX - PROPERTY ARTICLE OF
14 THE ANNOTATED CODE OF MARYLAND, AS AMENDED OR ARTICLE 83A, § 5-1702 OF
15 THE ANNOTATED CODE OF MARYLAND, AS AMENDED; AND

16 4. any other assets and revenues of the Mayor and City
17 Council of Baltimore.

18 (ii) The revenues and receipts may not be irrevocably pledged to the
19 payment of such principal and interest and the obligation to pay such principal and
20 interest from such revenues and receipts shall be subject to annual appropriation by
21 the Mayor and City Council of Baltimore.

22 (iii) The Mayor and City Council of Baltimore may not pledge its full
23 faith and credit or unlimited taxing power to the payment of such bonds.

24 (d) Before issuing any bonds under this section, the Mayor and City Council of
25 Baltimore shall:

26 (1) designate by ordinance an area or areas within the City of Baltimore
27 as a "development district";

28 (2) receive:

29 (I) from the Supervisor of Assessments a certification as to the
30 amount of the original assessable base, or if applicable, the adjusted assessable base;
31 AND

32 (II) FROM THE STATE COMPTROLLER AND THE DIRECTOR OF THE
33 STATE DEPARTMENT OF ASSESSMENTS AND TAXATION THE BASE YEAR
34 CERTIFICATIONS MADE PURSUANT TO ARTICLE 83A, § 5-1704 OF THE ANNOTATED
35 CODE OF MARYLAND, AS AMENDED; and

36 (3) provide that until the bonds have been fully paid or thereafter, the
37 property taxes on real property within the development district shall be divided as
38 follows:

1 (i) that portion of the taxes which would be produced by the rate at
2 which taxes levied each year by the Mayor and City Council of Baltimore upon the
3 original taxable value shall be allocated to and when collected paid into the funds of
4 the Mayor and City Council of Baltimore in the same manner as taxes by the Mayor
5 and City Council of Baltimore on all other property are paid; and

6 (ii) that portion of the taxes representing the levy on the tax
7 increment that would normally be paid to the Mayor and City Council of Baltimore
8 shall be paid into a special fund to be applied in accordance with the provisions of
9 subsection (e) of this section. This yield shall not be considered as municipal taxes for
10 the purposes of any constant yield tax limitation or State or local restriction. No State
11 real property taxes may be paid into the special fund.

12 **Article 41 - Governor - Executive and Administrative Departments**

13 14-204.

14 (A) Bonds shall be payable from the special fund described in § 14-206(3)(ii) of
15 this subtitle [and the].

16 (B) THE governing body of the issuer may also pledge its full faith and credit or
17 establish sinking funds, establish debt service reserve funds, or pledge other assets
18 and revenues, INCLUDING AMOUNTS REMITTED TO THE GOVERNING BODY BY THE
19 STATE UNDER § 9-103(H) OF THE TAX - PROPERTY ARTICLE OR UNDER ARTICLE 83A, §
20 5-1702 OF THE CODE, towards the payments of the principal and interest.

21 14-206.

22 Before issuing these bonds, the governing body of the issuer shall:

23 (1) Designate by resolution a contiguous area within its jurisdiction as a
24 "development district". If the governing body of a county designates an area which is
25 wholly or partly within the corporate limits of a municipality, a resolution of the
26 governing body of the municipality, approving the district, is also required to establish
27 the district.

28 (2) Receive [from]:

29 (I) FROM the supervisor of assessments a certification as to the
30 amount of the original assessable base, or if applicable, the adjusted assessable base;
31 AND

32 (II) FROM THE COMPTROLLER AND THE DIRECTOR OF THE STATE
33 DEPARTMENT OF ASSESSMENTS AND TAXATION THE BASE YEAR CERTIFICATIONS
34 MADE PURSUANT TO ARTICLE 83A, § 5-1704 OF THE CODE.

35 (3) Pledge that until the bonds have been fully paid or thereafter, the
36 property taxes on real property within the development district shall be divided as
37 follows:

1 (i) That portion of the taxes which would be produced by the rate
2 at which taxes levied each year by or for a municipality or county upon the original
3 taxable value shall be allocated to and when collected paid into the funds of the
4 respective taxing bodies in the same manner as taxes by or for the taxing bodies on all
5 other property are paid.

6 (ii) That portion of the taxes representing the levy on the tax
7 increment that would normally be paid to the issuing body shall be paid into a special
8 fund to be applied in accordance with the provisions of § 14-208. This yield shall not
9 be considered as county or municipal taxes for the purposes of any constant yield tax
10 limitation or State or local restriction, except for tax revenues received from
11 residential properties in Prince George's County. No State real property taxes may be
12 paid into the special fund.

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

14 **SUBTITLE 17. STATE ASSISTED TAX INCREMENT FINANCING.**

15 5-1701.

16 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS
17 INDICATED.

18 (B) "BASE YEAR" MEANS THE LAST CALENDAR YEAR ENDING PRIOR TO THE
19 YEAR IN WHICH THE ORDINANCE OR RESOLUTION CREATING A DEVELOPMENT
20 DISTRICT TAKES EFFECT.

21 (C) "DEVELOPMENT DISTRICT" MEANS A DEVELOPMENT DISTRICT
22 ESTABLISHED:

23 (1) BY A COUNTY OR MUNICIPAL CORPORATION UNDER ARTICLE 41,
24 TITLE 14, SUBTITLE 2 OF THE CODE; OR

25 (2) BY BALTIMORE CITY UNDER ARTICLE II, § 62 OF THE CHARTER OF
26 BALTIMORE CITY.

27 (D) "INITIAL STATE TAX AMOUNT" MEANS, AS TO ANY DEVELOPMENT
28 DISTRICT, THE SUM OF THE FOLLOWING TAXES, BUT ONLY TO THE EXTENT THE
29 TAXES ARE DESIGNATED AS AVAILABLE FOR STATE ASSISTANCE TO THE
30 DEVELOPMENT DISTRICT UNDER § 5-1703(B) OF THIS SUBTITLE:

31 (1) THE STATE INCOME TAX REVENUE FROM INDIVIDUALS COLLECTED
32 DURING THE BASE YEAR THAT IS ATTRIBUTABLE TO RESIDENTS OF THE
33 DEVELOPMENT DISTRICT;

34 (2) THE STATE PUBLIC SERVICE COMPANY FRANCHISE TAX REVENUE
35 COLLECTED DURING THE BASE YEAR THAT IS ATTRIBUTABLE TO ELECTRIC, GAS, OR
36 TELEPHONE SERVICE PROVIDED TO A SERVICE ADDRESS IN THE DEVELOPMENT
37 DISTRICT; AND

1 (3) THE STATE SALES AND USE TAX REMITTED BY VENDORS DURING
2 THE BASE YEAR THAT IS ATTRIBUTABLE TO TRANSACTIONS OCCURRING AT PLACES
3 OF BUSINESS LOCATED IN THE DEVELOPMENT DISTRICT.

4 (E) "NET STATE TAX INCREMENT" MEANS, FOR ANY DEVELOPMENT DISTRICT,
5 80% OF THE TOTAL STATE TAX INCREMENT GENERATED WITHIN A DEVELOPMENT
6 DISTRICT IN ANY CALENDAR YEAR.

7 (F) "STATE TAX INCREMENT" MEANS, FOR ANY DEVELOPMENT DISTRICT FOR
8 ANY CALENDAR YEAR, THE AMOUNT, IF ANY, BY WHICH THE INITIAL STATE TAX
9 AMOUNT IS LESS THAN THE SUM OF THE FOLLOWING TAXES, BUT ONLY TO THE
10 EXTENT THE TAXES ARE DESIGNATED AS AVAILABLE FOR STATE ASSISTANCE TO
11 THE DEVELOPMENT DISTRICT UNDER § 5-1703(B) OF THIS SUBTITLE:

12 (1) THE STATE INCOME TAX REVENUE FROM INDIVIDUALS COLLECTED
13 DURING THE CALENDAR YEAR THAT IS ATTRIBUTABLE TO RESIDENTS OF THE
14 DEVELOPMENT DISTRICT;

15 (2) THE STATE PUBLIC SERVICE COMPANY FRANCHISE TAX REVENUE
16 COLLECTED DURING THE CALENDAR YEAR THAT IS ATTRIBUTABLE TO ELECTRIC,
17 GAS, OR TELEPHONE SERVICE PROVIDED TO A SERVICE ADDRESS IN THE
18 DEVELOPMENT DISTRICT; AND

19 (3) THE STATE SALES AND USE TAX REMITTED BY VENDORS DURING
20 THE CALENDAR YEAR THAT IS ATTRIBUTABLE TO TRANSACTIONS OCCURRING AT
21 PLACES OF BUSINESS LOCATED IN THE DEVELOPMENT DISTRICT.

22 (G) "TAX INCREMENT FINANCING BONDS" MEANS BONDS ISSUED:

23 (1) BY A COUNTY OR MUNICIPAL CORPORATION UNDER ARTICLE 41,
24 TITLE 14, SUBTITLE 2 OF THE CODE; OR

25 (2) BY BALTIMORE CITY UNDER ARTICLE II, § 62 OF THE CHARTER OF
26 BALTIMORE CITY.

27 5-1702.

28 (A) (1) A LOCAL JURISDICTION THAT ESTABLISHES A DEVELOPMENT
29 DISTRICT MAY PLEDGE TOWARDS THE REPAYMENT OF TAX INCREMENT FINANCING
30 BONDS THE AMOUNTS REMITTED TO THE LOCAL JURISDICTION UNDER § 9-103(H) OF
31 THE TAX - PROPERTY ARTICLE OR UNDER SUBSECTION (B) OF THIS SECTION.

32 (2) THIS SUBSECTION DOES NOT LIMIT OR OTHERWISE AFFECT ANY
33 AUTHORITY OF A LOCAL JURISDICTION UNDER ANY OTHER PROVISION OF LAW TO
34 PLEDGE ANY OTHER ASSETS OR REVENUES TOWARDS THE REPAYMENT OF TAX
35 INCREMENT FINANCING BONDS.

36 (B) FOR A DEVELOPMENT DISTRICT THAT IS APPROVED BY THE SECRETARY
37 UNDER § 5-1703 OF THIS SUBTITLE:

1 (1) AS PROVIDED IN THE STATE BUDGET, FOR EACH FISCAL YEAR THE
2 STATE SHALL REMIT TO THE LOCAL JURISDICTION ESTABLISHING THE
3 DEVELOPMENT DISTRICT BY SEPTEMBER 1 OF THAT FISCAL YEAR:

4 (I) AN AMOUNT EQUAL TO THE NET STATE TAX INCREMENT FOR
5 THE DEVELOPMENT DISTRICT FOR THE CALENDAR YEAR THAT ENDED ON THE
6 DECEMBER 31 IMMEDIATELY PRECEDING THE BEGINNING OF THE FISCAL YEAR;
7 AND

8 (II) IF, IN ACCORDANCE WITH ARTICLE 41, TITLE 14, SUBTITLE 2 OF
9 THE CODE OR ARTICLE II, § 62 OF THE CHARTER OF BALTIMORE CITY, THE LOCAL
10 JURISDICTION HAS PLEDGED LOCAL PROPERTY TAX REVENUES ATTRIBUTABLE TO
11 THE PROPERTY TAX INCREMENT FOR THE DEVELOPMENT DISTRICT TOWARDS THE
12 REPAYMENT OF TAX INCREMENT FINANCING BONDS, AN AMOUNT EQUAL TO 50% OF
13 THE PROPERTY TAX REVENUES FOR THE TAXABLE YEAR THAT ENDED BEFORE THE
14 BEGINNING OF THE FISCAL YEAR THAT WERE PAID INTO THE SPECIAL FUND FOR
15 THE DEVELOPMENT DISTRICT DESCRIBED IN ARTICLE II, § 62(D)(3)(II) OF THE
16 CHARTER OF BALTIMORE CITY OR ARTICLE 41, § 14-206(3)(II) OF THE CODE; AND

17 (2) THE LOCAL JURISDICTION ESTABLISHING THE DEVELOPMENT
18 DISTRICT SHALL PLEDGE AT LEAST 30% OF THE PAYMENTS RECEIVED FROM THE
19 STATE UNDER THIS SUBTITLE REPRESENTING THE NET STATE TAX INCREMENT FOR
20 THE DEVELOPMENT DISTRICT TOWARDS THE REPAYMENT OF TAX INCREMENT
21 FINANCING BONDS.

22 5-1703.

23 (A) THE SECRETARY MAY APPROVE A DEVELOPMENT DISTRICT FOR STATE
24 ASSISTED TAX INCREMENT FINANCING UNDER THIS SUBTITLE ONLY IF THE
25 DEVELOPMENT DISTRICT IS LOCATED WHOLLY WITHIN:

26 (1) AN ENTERPRISE ZONE DESIGNATED UNDER § 5-402 OF THIS TITLE;
27 AND

28 (2) (I) A QUALIFIED DISTRESSED COUNTY, AS DEFINED IN § 5-1501 OF
29 THIS TITLE; OR

30 (II) THE AREA OF PRINCE GEORGE'S COUNTY LOCATED BETWEEN
31 INTERSTATE 495 AND THE DISTRICT OF COLUMBIA.

32 (B) IF THE SECRETARY APPROVES A DEVELOPMENT DISTRICT FOR STATE
33 ASSISTED TAX INCREMENT FINANCING UNDER THIS SUBTITLE, THE SECRETARY
34 MAY DESIGNATE THE NET STATE TAX INCREMENT ATTRIBUTABLE TO ONE OR MORE
35 OF THE FOLLOWING STATE TAXES AS AVAILABLE FOR STATE ASSISTANCE TO THE
36 DEVELOPMENT DISTRICT:

37 (1) THE STATE INCOME TAX ON INDIVIDUALS;

38 (2) THE STATE PUBLIC SERVICE COMPANY FRANCHISE TAX; AND

1 (3) THE STATE SALES AND USE TAX.

2 5-1704.

3 (A) IF THE SECRETARY APPROVES A DEVELOPMENT DISTRICT FOR STATE
4 ASSISTED TAX INCREMENT FINANCING UNDER THIS SUBTITLE, FOR THE BASE YEAR
5 AND EACH CALENDAR YEAR UNTIL ANY TAX INCREMENT FINANCING BONDS ISSUED
6 WITH RESPECT TO THE DEVELOPMENT DISTRICT ARE NO LONGER OUTSTANDING, TO
7 THE EXTENT THE SECRETARY HAS DESIGNATED THE NET STATE TAX INCREMENT
8 ATTRIBUTABLE TO THE TAX AS AVAILABLE FOR STATE ASSISTANCE TO THE
9 DEVELOPMENT DISTRICT:

10 (1) THE COMPTROLLER SHALL CERTIFY:

11 (I) THE STATE INCOME TAX REVENUE FROM INDIVIDUALS
12 COLLECTED DURING THE YEAR THAT IS ATTRIBUTABLE TO RESIDENTS OF THE
13 DEVELOPMENT DISTRICT; AND

14 (II) THE STATE SALES AND USE TAX REMITTED BY VENDORS
15 DURING THE YEAR THAT IS ATTRIBUTABLE TO TRANSACTIONS OCCURRING AT
16 PLACES OF BUSINESS LOCATED IN THE DEVELOPMENT DISTRICT; AND

17 (2) THE DIRECTOR OF THE STATE DEPARTMENT OF ASSESSMENTS AND
18 TAXATION SHALL CERTIFY THE STATE PUBLIC SERVICE COMPANY FRANCHISE TAX
19 REVENUE COLLECTED DURING THE YEAR THAT IS ATTRIBUTABLE TO ELECTRIC,
20 GAS, OR TELEPHONE SERVICE PROVIDED TO A SERVICE ADDRESS IN THE
21 DEVELOPMENT DISTRICT.

22 (B) THE CERTIFICATIONS REQUIRED UNDER SUBSECTION (A) OF THIS
23 SECTION SHALL BE MADE TO THE SECRETARY, THE COMPTROLLER, AND THE LOCAL
24 JURISDICTION ESTABLISHING THE DEVELOPMENT DISTRICT.

25 **Article - Tax - Property**

26 9-103.

27 (h) (1) [As] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION,
28 AS provided in the State budget, the State shall remit to each county or municipal
29 corporation an amount equal to one-half of the funds that would have been collected
30 if the property tax credit under this section had not been granted.

31 (2) (I) IF THE PROPERTY FOR WHICH THE PROPERTY TAX CREDIT
32 UNDER THIS SECTION IS GRANTED IS LOCATED IN A QUALIFIED DISTRESSED
33 COUNTY, AS DEFINED IN ARTICLE 83A, § 5-1501 OF THE CODE, OR IN THE AREA OF
34 PRINCE GEORGE'S COUNTY LOCATED BETWEEN INTERSTATE 495 AND THE DISTRICT
35 OF COLUMBIA, AS PROVIDED IN THE STATE BUDGET, THE STATE SHALL REMIT TO
36 EACH COUNTY OR MUNICIPAL CORPORATION AN AMOUNT EQUAL TO 80% OF THE
37 FUNDS THAT WOULD HAVE BEEN COLLECTED IF THE PROPERTY TAX CREDIT UNDER
38 THIS SECTION HAD NOT BEEN GRANTED.

1 (II) THE AMOUNT REMITTED TO A COUNTY OR MUNICIPAL
2 CORPORATION UNDER THIS PARAGRAPH IN EXCESS OF THE AMOUNT THAT WOULD
3 HAVE BEEN REMITTED TO THE COUNTY UNDER PARAGRAPH (1) OF THIS SUBSECTION
4 SHALL BE:

5 1. PLEDGED TO THE REPAYMENT OF TAX INCREMENT
6 FINANCING BONDS ISSUED BY THE COUNTY OR MUNICIPAL CORPORATION UNDER
7 ARTICLE 41, TITLE 14, SUBTITLE 2 OF THE CODE OR BY BALTIMORE CITY UNDER
8 ARTICLE II, § (62) OF THE CHARTER OF BALTIMORE CITY; OR

9 2. OTHERWISE USED BY THE LOCAL JURISDICTION ONLY TO
10 INVEST DIRECTLY IN IMPROVEMENTS IN THE ENTERPRISE ZONE.

11 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
12 July 1, 2002.