
By: **Delegates Ramirez, Ross, Healey, and Hixson**

Introduced and read first time: February 24, 2006

Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax Credit for New Restaurants in Arts and Entertainment Districts**

3 FOR the purpose of providing a credit against the State income tax for a taxpayer
4 that opens and operates a restaurant in certain designated areas under certain
5 circumstances; providing a limited duration for the credit; providing for a
6 reduction of the allowable amount of the credit over a certain time duration;
7 providing for the carryover of certain unused credit under certain
8 circumstances; defining certain terms; providing for the application of this Act;
9 and generally relating to an income tax credit for new restaurants in certain
10 designated areas.

11 BY adding to

12 Article - Tax - General

13 Section 10-726

14 Annotated Code of Maryland

15 (2004 Replacement Volume and 2005 Supplement)

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

18 **Article - Tax - General**

19 10-726.

20 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
21 INDICATED.

22 (2) "ARTISTIC WORK", "ARTS AND ENTERTAINMENT DISTRICT", AND
23 "QUALIFYING RESIDING ARTIST" HAVE THE MEANINGS STATED IN ARTICLE 83A, §
24 4-701 OF THE CODE.

25 (3) "RESTAURANT" MEANS AN ESTABLISHMENT THAT:

26 (I) ACCOMMODATES THE PUBLIC;

1 (II) IS EQUIPPED WITH A DINING ROOM WITH FACILITIES FOR
2 PREPARING AND SERVING REGULAR MEALS; AND

3 (III) EMPLOYS WAIT STAFF FOR SERVING REGULAR MEALS.

4 (B) SUBJECT TO SUBSECTION (C) OF THIS SECTION, AN INDIVIDUAL OR A
5 CORPORATION THAT OPENS AND OPERATES A RESTAURANT IN AN ARTS AND
6 ENTERTAINMENT DISTRICT MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX,
7 BEGINNING WITH THE FIRST TAXABLE YEAR THAT THE TAXPAYER OPENS AND
8 OPERATES THE RESTAURANT, FOR 5 CONSECUTIVE TAXABLE YEARS.

9 (C) (1) TO BE ELIGIBLE FOR THE TAX CREDIT UNDER THIS SECTION, A
10 RESTAURANT SHALL EXHIBIT FOR SALE ARTISTIC WORKS OF QUALIFYING RESIDING
11 ARTISTS OF THE ARTS AND ENTERTAINMENT DISTRICT.

12 (2) (I) THE CREDIT AUTHORIZED IN THIS SECTION MAY BE CLAIMED
13 AGAINST THE TAXPAYER'S STATE INCOME TAX LIABILITY ATTRIBUTABLE TO INCOME
14 DERIVED FROM THE RESTAURANT, IN AN AMOUNT EQUAL TO THE PERCENTAGES
15 STATED IN SUBPARAGRAPH (II) OF THIS PARAGRAPH.

16 (II) THE CREDIT MAY BE CLAIMED IN AN AMOUNT EQUAL TO THE
17 FOLLOWING PERCENTAGES:

- 18 1. 50% IN THE FIRST TAXABLE YEAR;
- 19 2. 40% IN THE SECOND TAXABLE YEAR;
- 20 3. 30% IN THE THIRD TAXABLE YEAR;
- 21 4. 20% IN THE FOURTH TAXABLE YEAR; AND
- 22 5. 10% IN THE FIFTH TAXABLE YEAR.

23 (D) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE YEAR
24 EXCEEDS THE STATE INCOME TAX FOR THAT TAXABLE YEAR, AN INDIVIDUAL OR
25 CORPORATION MAY APPLY THE EXCESS AS A CREDIT AGAINST THE STATE INCOME
26 TAX FOR SUCCEEDING TAXABLE YEARS UNTIL THE EARLIER OF:

27 (1) THE FULL AMOUNT OF THE EXCESS IS USED; OR

28 (2) THE EXPIRATION OF THE 5TH TAXABLE YEAR AFTER THE TAXABLE
29 YEAR IN WHICH THE CREDIT WAS EARNED.

30 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take
31 effect July 1, 2006, and shall be applicable to all taxable years beginning after
32 December 31, 2005.