
By: Delegates Ramirez, Ross, Healey, and Hixson Hixson, Bartlett, Boschert, Bozman, Cryor, C. Davis, Elmore, Gilleland, Goodwin, Gordon, Heller, Howard, Kaiser, King, Marriott, McKee, Myers, and Patterson

Introduced and read first time: February 24, 2006
Assigned to: Rules and Executive Nominations
Re-referred to: Ways and Means, March 6, 2006

Committee Report: Favorable with amendments
House action: Adopted
Read second time: March 26, 2006

CHAPTER _____

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~~ operating a restaurant in certain designated areas
5 under certain circumstances; providing a limited duration for the credit;
6 providing for a reduction of the allowable amount of the credit over a certain
7 time duration; 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:

1 **Article - Tax - General**

2 10-726.

3 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
4 INDICATED.5 (2) "ARTISTIC WORK", "ARTS AND ENTERTAINMENT DISTRICT", AND
6 "QUALIFYING RESIDING ARTIST" HAVE THE MEANINGS STATED IN ARTICLE 83A, §
7 4-701 OF THE CODE.

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

9 (I) ACCOMMODATES THE PUBLIC;

10 (II) IS EQUIPPED WITH A DINING ROOM WITH FACILITIES FOR
11 PREPARING AND SERVING REGULAR MEALS; AND12 (III) EMPLOYS ~~WAIT STAFF~~ WAITSTAFF FOR SERVING REGULAR
13 MEALS.14 (B) (1) SUBJECT TO SUBSECTION (C) OF THIS SECTION, AN INDIVIDUAL OR A
15 CORPORATION ~~THAT MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX IF THE~~
16 INDIVIDUAL OR CORPORATION:17 (I) OPENS AND OPERATES A RESTAURANT IN AN ARTS AND
18 ENTERTAINMENT DISTRICT ~~MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX,~~
19 ON OR AFTER JULY 1, 2006; OR20 (II) ON OR AFTER JULY 1, 2006, CONTINUES TO OPERATE A
21 RESTAURANT WITH A MICROBREWERY LICENSE IN AN ARTS AND ENTERTAINMENT
22 DISTRICT THAT WAS OPENED BEFORE JULY 1, 2006, BEGINNING WITH THE FIRST
23 TAXABLE YEAR THAT THE TAXPAYER OPENS AND OPERATES THE RESTAURANT, FOR
24 5 CONSECUTIVE TAXABLE YEARS.25 (2) THE TAX CREDIT UNDER THIS SECTION MAY BE CLAIMED:26 (I) FOR AN INDIVIDUAL OR CORPORATION THAT OPENS AND
27 OPERATES A RESTAURANT IN AN ARTS AND ENTERTAINMENT DISTRICT, FOR 5
28 CONSECUTIVE TAXABLE YEARS BEGINNING WITH THE FIRST TAXABLE YEAR THAT
29 THE TAXPAYER OPENS AND OPERATES THE RESTAURANT; OR30 (II) FOR AN INDIVIDUAL OR CORPORATION THAT CONTINUES TO
31 OPERATE A RESTAURANT WITH A MICROBREWERY LICENSE IN AN ARTS AND
32 ENTERTAINMENT DISTRICT THAT WAS OPENED BEFORE JULY 1, 2006, FOR 5
33 CONSECUTIVE TAXABLE YEARS BEGINNING WITH THE TAXABLE YEAR BEGINNING
34 AFTER DECEMBER 31, 2005.

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

4 (2) (I) THE CREDIT AUTHORIZED ~~IN~~ UNDER THIS SECTION MAY ONLY
5 BE CLAIMED AGAINST THE TAXPAYER'S STATE INCOME TAX LIABILITY
6 ATTRIBUTABLE TO INCOME DERIVED FROM THE RESTAURANT, IN AN AMOUNT
7 EQUAL TO THE PERCENTAGES STATED IN SUBPARAGRAPH (II) OF THIS PARAGRAPH.

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

- 10 1. 50% IN THE FIRST TAXABLE YEAR;
- 11 2. 40% IN THE SECOND TAXABLE YEAR;
- 12 3. 30% IN THE THIRD TAXABLE YEAR;
- 13 4. 20% IN THE FOURTH TAXABLE YEAR; AND
- 14 5. 10% IN THE FIFTH TAXABLE YEAR.

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

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

20 (2) THE EXPIRATION OF THE ~~5TH~~ 3RD TAXABLE YEAR AFTER THE
21 TAXABLE YEAR IN WHICH THE CREDIT WAS EARNED.

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