

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 822
Economic Matters

(Queen Anne's County Delegation)

Budget and Taxation

Queen Anne's County - Arts and Entertainment District

This bill allows Queen Anne's County, subject to approval by the Secretary of Business and Economic Development, to establish an arts and entertainment district composed of noncontiguous areas.

Fiscal Summary

State Effect: To the extent additional areas of Queen Anne's County are designated as an arts and entertainment district, general fund revenues may decrease beginning in FY 2012 due to additional artists qualifying for the subtraction modification provided under current law. Expenditures are not affected.

Local Effect: Potential decrease in local government revenues in Queen Anne's County due to the expanded eligibility for the subtraction modification and local property tax credits. Expenditures are not affected.

Small Business Effect: Potential meaningful.

Analysis

Current Law: Upon application from an eligible local government, the Secretary of Business and Economic Development may designate an area as an arts and entertainment district only if the area is a contiguous geographic area that is wholly within a priority funding area.

An arts and entertainment district is a developed district of public and private uses that (1) is distinguished by resources that play a vital role in community development and

contribute to the public through interpretive, educational, and recreational uses; and (2) ranges in size from a portion of a political subdivision to a regional district with a special coherence.

Background: Chapter 608 of 2001 authorized the Department of Business and Economic Development (DBED) to establish arts and entertainment districts within a county or municipal corporation. Counties and municipal corporations must apply to DBED to have an area designated as an arts and entertainment district. Chapter 608 also expanded the permissible uses of the Maryland Economic Development Assistance Fund to allow DBED to use the fund to provide financial assistance to arts and entertainment enterprises and arts and entertainment projects.

Several tax benefits are available in arts and entertainment districts:

- qualifying residing artists may exempt from State and local income taxes the income derived within the district from the publication, production, or sale of artistic work created by the qualifying artist;
- a county or municipal corporation may grant, by law, a property tax credit against the property tax imposed on a manufacturing, commercial, or industrial building that is located in an arts and entertainment district, and is wholly or partially renovated to be capable for use by a qualifying artist or an arts and entertainment enterprise; and
- a county or municipal corporation may exempt from the admissions and amusement tax gross receipts from any admissions or amusement charge levied by an arts and entertainment enterprise or qualified residing artist in an arts and entertainment district.

According to the Maryland State Arts Council, there are currently 18 arts and entertainment districts in the State.

State Fiscal Effect: To the extent the bill allows additional areas to be designated an arts and entertainment district, general fund revenues will decrease beginning in fiscal 2012 as a result of more income from artists being exempted from the State income tax. DBED must notify the Comptroller's Office by July 1 preceding the effective date of the establishment of an arts and entertainment district. The subtraction modification may be claimed beginning the following tax year. It is assumed that tax year 2012 is the earliest the subtraction modification may be claimed. General fund revenues may also decrease beginning in fiscal 2012 to the extent arts and entertainment businesses adjust their estimated payments.

Local Fiscal Effect: Local income tax revenues in Queen Anne's County may decrease in fiscal 2012 by 2.85% of the additional subtraction modifications claimed against the State income tax. To the extent provided, local government property tax revenues may decrease if more properties are eligible for the credit as a result of the expanded eligibility provided by the bill. The bill is not expected to materially impact admissions and amusement tax revenues.

Small Business Effect: The bill will positively impact through a reduction in State and local taxes any small business that as a result of the bill will qualify for State and local tax benefits. Conversely, any small businesses that are competitors of these businesses and do not qualify would be at a competitive disadvantage due to higher relative tax burdens.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland State Arts Council, Department of Legislative Services

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