

# SENATE BILL 1021

C8, Q3, Q2

7lr1569  
CF HB 1051

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By: **Senators Zucker, Ferguson, Benson, Conway, Currie, DeGrange, Feldman, Guzzone, Kagan, Kasemeyer, King, Klausmeier, Lee, Manno, McFadden, Middleton, Miller, Nathan-Pulliam, Peters, Pinsky, Ramirez, Robinson, Smith, Young, and Zirkin**

Introduced and read first time: February 8, 2017

Assigned to: Rules

Re-referred to: Budget and Taxation, February 15, 2017

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Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 25, 2017

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 ~~Enterprise Zone and Regional Institution Strategic Enterprise Zone Programs~~  
3 ~~Small Business Entities~~  
4 **Job Reinvestment Act of 2017**

5 FOR the purpose of allowing a credit against the State income tax for certain small business  
6 entities located in an enterprise zone or a Regional Institution Strategic Enterprise  
7 (RISE) zone; allowing a small business entity to claim the credit notwithstanding  
8 certain limitations and if the small business hired or retained a certain number of  
9 new employees under certain circumstances; allowing a small business entity to  
10 claim the credit as a credit for the payment to the Comptroller of certain taxes;  
11 providing for the calculation of the credit; providing that the credit may not be  
12 claimed for more than a certain number of years; providing that the amount of the  
13 credit may not exceed the State income tax for that taxable year; authorizing a small  
14 business entity to apply any excess amount of the credit against the State income  
15 tax for succeeding taxable years; altering the definition of "qualified property" for  
16 purposes of a certain property tax credit on a certain assessment of certain property  
17 located in a RISE zone so as to include certain personal property; defining certain  
18 terms; providing for the effective dates of this Act; providing for the application of  
19 this Act; and generally relating to the Enterprise Zone Program and the Regional  
20 Institution Strategic Enterprise Zone Program.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 BY repealing and reenacting, with amendments,  
2 Article – Economic Development  
3 Section 5–707(a), (c), and (d)(1) and 5–1406(a) and (d)  
4 Annotated Code of Maryland  
5 (2008 Volume and 2016 Supplement)

6 BY repealing and reenacting, without amendments,  
7 Article – Economic Development  
8 Section 5–1406(c)  
9 Annotated Code of Maryland  
10 (2008 Volume and 2016 Supplement)

11 BY adding to  
12 Article – Tax – General  
13 Section 10–741  
14 Annotated Code of Maryland  
15 (2016 Replacement Volume)

16 BY repealing and reenacting, without amendments,  
17 Article – Tax – Property  
18 Section 9–103.1(a)(1) and (b)  
19 Annotated Code of Maryland  
20 (2012 Replacement Volume and 2016 Supplement)

21 BY repealing and reenacting, with amendments,  
22 Article – Tax – Property  
23 Section 9–103.1(a)(6)  
24 Annotated Code of Maryland  
25 (2012 Replacement Volume and 2016 Supplement)

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

28 **Article – Economic Development**

29 5–707.

30 (a) To the extent provided for in this section, a business entity is entitled to:

31 (1) the special property tax credit in § 9–103 of the Tax – Property Article;

32 (2) the income tax credits in § 10–702 of the Tax – General Article; [and]

33 (3) **THE INCOME TAX CREDITS IN § 10–741 OF THE TAX – GENERAL**  
34 **ARTICLE; AND**

1           (4) consideration for financial assistance from programs in Subtitle 1 of  
2 this title.

3           (c) (1) [The] **EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS**  
4 **SUBSECTION, THE** incentives and initiatives provided for in this section are not available  
5 to a business entity that:

6                   [(1)] (I) was in an enterprise zone before the date that the enterprise zone  
7 is designated, except for a capital investment or expansion of its labor force that occurs on  
8 or after the enterprise zone is designated; or

9                   [(2)] (II) is located in an enterprise zone that was designated under  
10 federal law unless the Secretary and the Board of Public Works consent to the designation.

11                   **(2) ~~A SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION, A BUSINESS~~**  
12 **ENTITY MAY QUALIFY FOR THE INCOME TAX CREDIT UNDER § 10-741 OF THE TAX –**  
13 **GENERAL ARTICLE:**

14                           **(I) REGARDLESS OF WHETHER THE BUSINESS ENTITY WAS IN**  
15 **THE ENTERPRISE ZONE BEFORE THE DATE THAT THE ZONE WAS DESIGNATED; AND**

16                           **(II) IF, AFTER THE ENTERPRISE ZONE WAS DESIGNATED, THE**  
17 **BUSINESS ENTITY HIRED AND RETAINED AT LEAST ONE NEW EMPLOYEE FOR AT**  
18 **LEAST 6 MONTHS BEFORE OR DURING THE TAXABLE YEAR FOR WHICH THE ENTITY**  
19 **CLAIMS THE CREDIT.**

20                           **(3) A BUSINESS ENTITY MAY QUALIFY FOR THE INCOME TAX CREDIT**  
21 **UNDER § 10-741 OF THE TAX – GENERAL ARTICLE FOR EACH EMPLOYEE WHO IS**  
22 **HIRED THAT RESULTS IN A NET INCREASE IN THE NUMBER OF EMPLOYEES HIRED**  
23 **AND RETAINED BY THE BUSINESS ENTITY AFTER THE ENTERPRISE ZONE WAS**  
24 **DESIGNATED.**

25           (d) (1) Except as provided in [§ 10-702] **§§ 10-702 AND 10-741** of the Tax –  
26 General Article and § 9-103 of the Tax – Property Article, the incentives and initiatives set  
27 forth in this section are available for 10 years after the date that an area is designated an  
28 enterprise zone.

29 5-1406.

30           (a) (1) To the extent provided for in this section, a business entity that locates  
31 in a RISE zone is entitled to:

32                           (i) the property tax credit under § 9-103.1 of the Tax – Property  
33 Article;

1 (ii) the income tax credit under § 10-702 of the Tax – General  
2 Article; [and]

3 (iii) **THE INCOME TAX CREDIT UNDER § 10-741 OF THE**  
4 **TAX – GENERAL ARTICLE; AND**

5 (IV) priority consideration for financial assistance from programs in  
6 Subtitle 1 of this title.

7 (2) For purposes of the income tax credit authorized under paragraph (1)(ii)  
8 of this subsection, the business entity is treated as being located in an enterprise zone.

9 (c) A business entity may not qualify for the incentives under subsection (a) of  
10 this section unless the Department, in consultation with the county or municipal  
11 corporation in which a RISE zone is located, certifies the business entity and its location as  
12 consistent with the target strategy of the RISE zone.

13 (d) (1) [Unless] **EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS**  
14 **SUBSECTION, UNLESS** a business entity makes a significant capital investment or  
15 expansion of its labor force after a RISE zone is designated, the incentives under this  
16 section are not available to a business entity that was in a RISE zone before the date that  
17 the zone is designated.

18 (2) **A SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION, A BUSINESS**  
19 **ENTITY MAY QUALIFY FOR THE INCOME TAX CREDIT UNDER § 10-741 OF THE TAX –**  
20 **GENERAL ARTICLE:**

21 (I) **REGARDLESS OF WHETHER THE BUSINESS ENTITY WAS IN**  
22 **THE RISE ZONE BEFORE THE DATE THAT THE ZONE WAS DESIGNATED; AND**

23 (II) **IF, AFTER THE RISE ZONE WAS DESIGNATED, THE**  
24 **BUSINESS ENTITY HIRED AND RETAINED AT LEAST ONE NEW EMPLOYEE FOR AT**  
25 **LEAST 6 MONTHS BEFORE OR DURING THE TAXABLE YEAR FOR WHICH THE ENTITY**  
26 **CLAIMS THE CREDIT.**

27 (3) **A BUSINESS ENTITY MAY QUALIFY FOR THE INCOME TAX CREDIT**  
28 **UNDER § 10-741 OF THE TAX – GENERAL ARTICLE FOR EACH EMPLOYEE WHO IS**  
29 **HIRED THAT RESULTS IN A NET INCREASE IN THE NUMBER OF EMPLOYEES HIRED**  
30 **AND RETAINED BY THE BUSINESS ENTITY AFTER THE RISE ZONE WAS DESIGNATED.**

31 (4) The Department shall adopt regulations establishing factors to  
32 determine if a business entity makes a significant capital investment or expansion of its  
33 labor force under paragraph (1) of this subsection.

1 10-741.

2 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
3 INDICATED.

4 (2) "ENTERPRISE ZONE" HAS THE MEANING STATED IN § 5-701 OF  
5 THE ECONOMIC DEVELOPMENT ARTICLE.

6 (3) "RISE ZONE" HAS THE MEANING STATED IN § 5-1401 OF THE  
7 ECONOMIC DEVELOPMENT ARTICLE.

8 (4) (I) "SMALL BUSINESS ENTITY" MEANS:

9 1. A PERSON CONDUCTING OR OPERATING A TRADE OR  
10 BUSINESS THAT EMPLOYS 25 OR FEWER EMPLOYEES; OR

11 2. AN ORGANIZATION THAT:

12 A. IS EXEMPT FROM TAXATION UNDER § 501(C)(3) OR (4)  
13 OF THE INTERNAL REVENUE CODE; AND

14 B. EMPLOYS 25 OR FEWER EMPLOYEES.

15 (II) "SMALL BUSINESS ENTITY" DOES NOT INCLUDE A PERSON  
16 OWNING, OPERATING, DEVELOPING, CONSTRUCTING, OR REHABILITATING  
17 PROPERTY INTENDED FOR USE PRIMARILY AS SINGLE OR MULTIFAMILY  
18 RESIDENTIAL PROPERTY LOCATED WITHIN AN ENTERPRISE ZONE OR RISE ZONE.

19 (B) (1) SUBJECT TO THE LIMITATIONS OF THIS SECTION, A SMALL  
20 BUSINESS ENTITY THAT IS LOCATED IN AN ENTERPRISE ZONE OR A RISE ZONE MAY  
21 CLAIM A CREDIT AGAINST THE STATE INCOME TAX IN THE AMOUNT PROVIDED  
22 UNDER SUBSECTION (C) OF THIS SECTION.

23 (2) THE SMALL BUSINESS ENTITY MAY APPLY THE CREDIT UNDER  
24 THIS SECTION AS A CREDIT FOR THE PAYMENT TO THE COMPTROLLER OF TAXES  
25 THAT THE SMALL BUSINESS ENTITY:

26 (I) IS REQUIRED TO WITHHOLD FROM THE WAGES OF  
27 EMPLOYEES UNDER § 10-908 OF THIS TITLE; AND

28 (II) IS REQUIRED TO PAY TO THE COMPTROLLER UNDER §  
29 10-906(A) OF THIS TITLE.



1 (a) (1) In this section the following words have the meanings indicated.

2 (6) (I) "Qualified property" means real property that is:

3 [(i)] 1. not used for residential purposes;

4 [(ii)] 2. used in a trade or business by a business entity; and

5 [(iii)] 3. located in a Regional Institution Strategic Enterprise zone  
6 that is designated under Title 5, Subtitle 14 of the Economic Development Article.

7 (II) "QUALIFIED PROPERTY" INCLUDES PERSONAL PROPERTY  
8 ON REAL PROPERTY THAT IS LOCATED IN A FOCUS AREA AS DEFINED IN § 5-701 OF  
9 THE ECONOMIC DEVELOPMENT ARTICLE.

10 (b) The governing body of a county or of a municipal corporation shall grant a tax  
11 credit under this section against the property tax imposed on the eligible assessment of  
12 qualified property.

13 SECTION 3. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall take  
14 effect June 1, 2017, and shall be applicable to all taxable years beginning after June 30,  
15 2017.

16 SECTION 4. AND BE IT FURTHER ENACTED, That, except as provided in Section  
17 3 of this Act, this Act shall take effect July 1, 2017, and shall be applicable to all taxable  
18 years beginning after December 31, 2016.

Approved:

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Governor.

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President of the Senate.

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Speaker of the House of Delegates.