

SENATE BILL 778

C8, Q3, Q2

1lr2371
CF HB 1279

By: ~~Senator Elfreth~~ **Senators Elfreth, Eckardt, Griffith, Guzzone, King, Rosapepe, and Zucker**

Introduced and read first time: February 5, 2021

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: February 28, 2021

CHAPTER _____

1 AN ACT concerning

2 **Regional Institution Strategic Enterprise Zone Program – Alterations**

3 FOR the purpose of expanding the purposes of the Regional Institution Strategic Enterprise
4 Zone Program; establishing the Regional Institution Strategic Enterprise Zone Fund
5 in the Department of Commerce to be used for certain purposes; providing for the
6 investment of money in and expenditures from the Fund; prohibiting the Secretary
7 of Commerce from approving a Regional Institution Strategic Enterprise (RISE) zone
8 the geographic area of which exceeds a certain amount; providing for the termination
9 of the Program; altering eligibility for tax incentives that a business entity that
10 locates in a RISE zone may receive under certain circumstances; authorizing a
11 certain qualified institution, a county, a municipal corporation, or a certain entity of
12 a county or a municipal corporation to establish a certain program to provide rental
13 assistance to a business entity that moves into or locates in a RISE zone; authorizing
14 a qualified institution, a county, a municipal corporation, or a certain entity of a
15 county or a municipal corporation that establishes a rental assistance program in
16 accordance with this Act to submit a certain request to receive a distribution of
17 certain funds from the Fund; requiring the Department to make available a certain
18 amount of funds to match certain rental assistance funds; requiring the Department
19 to review certain requests and distribute certain funds under certain circumstances;
20 requiring a certain applicant to deposit certain rental assistance funds into a certain
21 fund within a certain period of time; providing for the reallocation of certain funds
22 under certain circumstances; requiring the Department to submit an annual report
23 to the Governor and certain committees of the General Assembly on certain matters;
24 authorizing certain companies to claim an enhanced State income tax credit under

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 certain circumstances; defining certain terms; making conforming changes;
2 providing for the application of certain provisions of this Act; providing for the
3 effective dates of this Act; and generally relating to the Regional Institution Strategic
4 Enterprise Zone Program.

5 BY repealing and reenacting, with amendments,
6 Article – Economic Development
7 Section 5–1401, 5–1402, 5–1404(b) and (f), 5–1406, and 5–1407
8 Annotated Code of Maryland
9 (2018 Replacement Volume and 2020 Supplement)

10 BY repealing and reenacting, without amendments,
11 Article – Economic Development
12 Section 5–1404(a)
13 Annotated Code of Maryland
14 (2018 Replacement Volume and 2020 Supplement)

15 BY adding to
16 Article – Economic Development
17 Section 5–1407, 5–1408, and 5–1410
18 Annotated Code of Maryland
19 (2018 Replacement Volume and 2020 Supplement)

20 BY repealing and reenacting, without amendments,
21 Article – State Finance and Procurement
22 Section 6–226(a)(2)(i)
23 Annotated Code of Maryland
24 (2015 Replacement Volume and 2020 Supplement)

25 BY repealing and reenacting, with amendments,
26 Article – State Finance and Procurement
27 Section 6–226(a)(2)(ii)122. and 123.
28 Annotated Code of Maryland
29 (2015 Replacement Volume and 2020 Supplement)

30 BY adding to
31 Article – State Finance and Procurement
32 Section 6–226(a)(2)(ii)124.
33 Annotated Code of Maryland
34 (2015 Replacement Volume and 2020 Supplement)

35 BY repealing and reenacting, without amendments,
36 Article – Tax – General
37 Section 10–725(b)(1) and 10–733(b)(1)
38 Annotated Code of Maryland
39 (2016 Replacement Volume and 2020 Supplement)

1 BY repealing and reenacting, with amendments,
2 Article – Tax – General
3 Section 10–725(d)(1) and 10–733(d)(1)
4 Annotated Code of Maryland
5 (2016 Replacement Volume and 2020 Supplement)

6 BY repealing and reenacting, without amendments,
7 Article – Tax – Property
8 Section 9–103.1(a)(1) and (b)
9 Annotated Code of Maryland
10 (2019 Replacement Volume and 2020 Supplement)

11 BY repealing and reenacting, with amendments,
12 Article – Tax – Property
13 Section 9–103.1(a)(4) and (6) and (d)(2)
14 Annotated Code of Maryland
15 (2019 Replacement Volume and 2020 Supplement)

16 BY adding to
17 Article – Tax – Property
18 Section 9–103.1(a)(7)
19 Annotated Code of Maryland
20 (2019 Replacement Volume and 2020 Supplement)

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

23 Article – Economic Development

24 5–1401.

25 (a) In this subtitle the following words have the meanings indicated.

26 (b) “Area” means a geographic area in one or more political subdivisions in the
27 State described by a closed perimeter boundary.

28 (C) “FUND” MEANS THE REGIONAL INSTITUTION STRATEGIC ENTERPRISE
29 ZONE FUND CREATED UNDER § 5–1408 OF THIS SUBTITLE.

30 [(c)] (D) “Nonprofit organization” means an organization that is exempt or
31 eligible for exemption from taxation under § 501(c)(3) of the Internal Revenue Code.

32 [(d)] (E) “Qualified institution” means an entity that is designated as a qualified
33 institution under § 5–1403 of this subtitle and may include:

34 (1) a regional higher education center as defined under § 10–101 of the
35 Education Article;

1 (2) an institution of higher education as defined under § 10–101 of the
2 Education Article; or

3 (3) a nonprofit organization that is affiliated with a federal agency.

4 [(e)] (F) “RISE zone” means a geographic area in immediate proximity to a
5 qualified institution that is targeted for increased economic and community development
6 that meets the requirements of § 5–1404 of this subtitle and is designated as a Regional
7 Institution Strategic Enterprise zone by the Secretary under § 5–1404 of this subtitle.

8 5–1402.

9 The [purpose] **PURPOSES** of the Regional Institution Strategic Enterprise Zone
10 Program [is] **ARE** to access institutional assets that have a strong and demonstrated
11 history of commitment to economic development and revitalization in the communities in
12 which they are located **AND INCENTIVIZE THE LOCATION OF INNOVATIVE START-UP**
13 **BUSINESSES BASED ON TECHNOLOGY DEVELOPED, LICENSED, OR POISED FOR**
14 **COMMERCIALIZATION AT OR IN COLLABORATION WITH QUALIFIED MARYLAND**
15 **INSTITUTIONS.**

16 5–1404.

17 (a) On or after July 1, 2015, a qualified institution shall apply jointly with a
18 county, a municipal corporation, or the economic development agency of a county or
19 municipal corporation to the Secretary to designate an area as a Regional Institution
20 Strategic Enterprise zone.

21 (b) The application shall:

22 (1) be in the form and contain the information that the Secretary requires
23 by regulation;

24 (2) state the boundaries of the area of the proposed RISE zone, **NOT**
25 **EXCEEDING 500 ACRES;**

26 (3) describe the nexus of the RISE zone with the qualified institution; and

27 (4) contain a plan that identifies the target strategy and anticipated
28 economic impacts of the RISE zone.

29 (f) (1) (i) Subject to subparagraph (ii) of this paragraph, the designation of
30 an area as a RISE zone is effective for 5 years.

1 (ii) Upon a joint application of a qualified institution, a county and,
2 if applicable, a municipal corporation, or the economic development agency of a county or
3 municipal corporation, the Secretary may renew a RISE zone for an additional 5 years.

4 (2) The Secretary may not:

5 (I) approve more than three RISE zones in a single county or
6 municipal corporation; **OR**

7 (II) **APPROVE A RISE ZONE THE GEOGRAPHIC AREA OF WHICH**
8 **EXCEEDS 500 ACRES.**

9 5–1406.

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

12 (i) **FOR A BUSINESS ENTITY THAT LOCATES IN THE RISE ZONE**
13 **BEFORE JANUARY 1, 2023**, the property tax credit under § 9–103.1 of the Tax – Property
14 Article;

15 (ii) **FOR A TAXABLE YEAR BEGINNING BEFORE JANUARY 1,**
16 **2023**, the income tax credit under § 10–702 of the Tax – General Article; and

17 (iii) priority consideration for financial assistance from programs in
18 Subtitle 1 of this title.

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

21 (b) **[A] SUBJECT TO THE LIMITATIONS UNDER SUBSECTION (A) OF THIS**
22 **SECTION**, a business entity that moves into or locates in a RISE zone on or after the date
23 that the zone is designated under this subtitle may qualify for the incentives under this
24 section.

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

29 (d) (1) Unless a business entity makes a significant capital investment or
30 expansion of its labor force after a RISE zone is designated, the incentives under this
31 section are not available to a business entity that was in a RISE zone before the date that
32 the zone is designated.

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

4 **5-1407.**

5 **(A) (1) A QUALIFIED INSTITUTION, A COUNTY AND, IF APPLICABLE, A**
6 **MUNICIPAL CORPORATION, OR THE ECONOMIC DEVELOPMENT AGENCY OF A**
7 **COUNTY OR MUNICIPAL CORPORATION MAY ESTABLISH A PROGRAM TO PROVIDE**
8 **RENTAL ASSISTANCE TO A BUSINESS ENTITY THAT:**

9 **(I) MOVES INTO OR LOCATES IN A RISE ZONE ON OR AFTER**
10 **THE DATE THAT THE ZONE IS DESIGNATED UNDER THIS SUBTITLE; AND**

11 **(II) HAS BEEN IN ACTIVE BUSINESS NOT LONGER THAN 7 YEARS.**

12 **(2) (I) A QUALIFIED INSTITUTION, A COUNTY AND, IF APPLICABLE,**
13 **A MUNICIPAL CORPORATION, OR THE ECONOMIC DEVELOPMENT AGENCY OF A**
14 **COUNTY OR MUNICIPAL CORPORATION THAT ESTABLISHES A RENTAL ASSISTANCE**
15 **PROGRAM IN ACCORDANCE WITH PARAGRAPH (1) OF THIS SUBSECTION MAY SUBMIT**
16 **A REQUEST TO RECEIVE A DISTRIBUTION OF MATCHING FUNDS FROM THE FUND.**

17 **(II) THE APPLICATION SHALL INCLUDE:**

18 **1. A DESCRIPTION OF THE RENTAL ASSISTANCE**
19 **PROGRAM;**

20 **2. THE AMOUNT OF FUNDING THAT THE APPLICANT HAS**
21 **SECURED TO PROVIDE RENTAL ASSISTANCE UNDER THE RENTAL ASSISTANCE**
22 **PROGRAM;**

23 **3. THE AMOUNT REQUESTED FOR DISTRIBUTION FROM**
24 **THE FUND IN ACCORDANCE WITH THIS SECTION; AND**

25 **4. ANY OTHER INFORMATION REQUESTED BY THE**
26 **DEPARTMENT.**

27 **(B) (1) THE DEPARTMENT SHALL REVIEW EACH REQUEST FOR**
28 **DISTRIBUTION OF MATCHING FUNDS FROM THE FUND FOR COMPLIANCE WITH THE**
29 **PROVISIONS OF THIS SECTION AND DEPARTMENT REGULATIONS.**

30 **(2) SUBJECT TO THE AVAILABILITY OF FUNDS IN THE FUND AND**
31 **PARAGRAPH (3) OF THIS SUBSECTION, IF THE DEPARTMENT APPROVES A REQUEST**
32 **FOR DISTRIBUTION OF MATCHING FUNDS FROM THE FUND, THE DEPARTMENT**

1 SHALL DISTRIBUTE TO A FUND DEDICATED TO THE APPLICANT'S RENTAL
2 ASSISTANCE PROGRAM AN AMOUNT EQUAL TO THREE TIMES THE AMOUNT OF
3 FUNDING SPECIFIED UNDER SUBSECTION (A)(2)(II)2 OF THIS SECTION.

4 (3) EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION, THE
5 DEPARTMENT SHALL MAKE AVAILABLE NOT MORE THAN 25% OF CUMULATIVE
6 PROGRAM FUNDS FROM THE FUND FOR RENTAL ASSISTANCE PROGRAMS IN A
7 SINGLE RISE ZONE.

8 (C) (1) WITHIN 90 DAYS AFTER APPROVAL BY THE DEPARTMENT OF A
9 REQUEST FOR MATCHING FUNDS UNDER SUBSECTION (A) OF THIS SECTION, THE
10 APPLICANT SHALL DEPOSIT AN AMOUNT EQUAL TO OR GREATER THAN THE AMOUNT
11 SPECIFIED UNDER SUBSECTION (A)(2)(II)2 OF THIS SECTION INTO A FUND
12 DEDICATED TO THE APPLICANT'S RENTAL ASSISTANCE PROGRAM.

13 (2) IF AN APPLICANT FAILS TO HAVE DEPOSITED THE AMOUNT
14 REQUIRED UNDER PARAGRAPH (1) OF THIS SUBSECTION, ANY PORTION OF FUNDS
15 ALLOCATED TO THE APPLICANT THAT HAS NOT BEEN DISTRIBUTED SHALL BE
16 REALLOCATED TO ANOTHER APPLICANT IN ACCORDANCE WITH THIS SECTION.

17 (3) IF THE DEPARTMENT FAILS TO ALLOCATE THE FUNDS IN THE
18 FUND UNDER THIS SUBTITLE AND RENTAL ASSISTANCE PROGRAMS IN A SINGLE
19 RISE ZONE HAVE PREVIOUSLY RECEIVED 25% OF CUMULATIVE PROGRAM FUNDS
20 FROM THE FUND, THE DEPARTMENT MAY DISTRIBUTE ADDITIONAL FUNDS TO
21 APPLICANTS FOR THAT RISE ZONE IN ACCORDANCE WITH THIS SUBTITLE.

22 5-1408.

23 (A) THERE IS A REGIONAL INSTITUTION STRATEGIC ENTERPRISE FUND IN
24 THE DEPARTMENT.

25 (B) THE SECRETARY SHALL MANAGE AND SUPERVISE THE FUND.

26 (C) (1) THE FUND IS A SPECIAL, NONLAPSING FUND THAT IS NOT
27 SUBJECT TO § 7-302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.

28 (2) THE STATE TREASURER SHALL HOLD THE FUND SEPARATELY,
29 AND THE COMPTROLLER SHALL ACCOUNT FOR THE FUND.

30 (D) THE FUND CONSISTS OF:

31 (1) MONEY APPROPRIATED IN THE STATE BUDGET TO THE FUND; AND

1 **(2) ANY OTHER MONEY FROM ANY OTHER SOURCE ACCEPTED FOR**
2 **THE BENEFIT OF THE FUND.**

3 **(E) THE DEPARTMENT MAY USE THE FUND TO:**

4 **(1) FINANCE, IN COORDINATION WITH QUALIFIED INSTITUTIONS,**
5 **COUNTIES, AND MUNICIPAL CORPORATIONS, THE PROVISION OF RENTAL**
6 **ASSISTANCE TO BUSINESS ENTITIES LOCATED IN RISE ZONES; AND**

7 **(2) PAY THE RELATED ADMINISTRATIVE, LEGAL, AND ACTUARIAL**
8 **EXPENSES OF THE DEPARTMENT.**

9 **(F) (1) THE STATE TREASURER SHALL INVEST THE MONEY OF THE FUND**
10 **IN THE SAME MANNER AS OTHER STATE MONEY MAY BE INVESTED.**

11 **(2) ANY INVESTMENT EARNINGS OF THE FUND SHALL BE CREDITED**
12 **TO THE FUND.**

13 **(G) EXPENDITURES FROM THE FUND MAY BE MADE ONLY IN ACCORDANCE**
14 **WITH THE STATE BUDGET.**

15 **[5-1407.] 5-1409.**

16 (a) The Department and the Comptroller jointly shall assess each year the
17 effectiveness of the tax incentives provided to business entities in RISE zones, including:

18 (1) the number and amounts of tax incentives granted each year; and

19 (2) the success of the tax incentives in attracting and retaining business
20 entities in RISE zones.

21 (b) On or before December 15 of each year, the Department and the Comptroller
22 shall submit to the Governor and, in accordance with § 2-1257 of the State Government
23 Article, the Senate Budget and Taxation Committee, the House Committee on Ways and
24 Means, and the Tax Credit Evaluation Committee a report outlining the findings of the
25 Department and the Comptroller and any other information of value in determining the
26 effectiveness of the tax incentives authorized under this subtitle.

27 **(C) ON OR BEFORE DECEMBER 15 EACH YEAR, THE DEPARTMENT SHALL**
28 **SUBMIT TO THE GOVERNOR AND, IN ACCORDANCE WITH § 2-1257 OF THE STATE**
29 **GOVERNMENT ARTICLE, THE SENATE BUDGET AND TAXATION COMMITTEE AND**
30 **THE HOUSE COMMITTEE ON WAYS AND MEANS A REPORT DETAILING WITH**
31 **RESPECT TO EACH RISE ZONE IN WHICH A RENTAL ASSISTANCE PROGRAM HAS**
32 **BEEN ESTABLISHED:**

1 (b) (1) Subject to paragraphs (2) and (3) of this subsection and subsections (d)
2 and (e) of this section, for the taxable year in which an investment in a qualified Maryland
3 biotechnology company is made, a qualified investor may claim a credit against the State
4 income tax in an amount equal to the amount of tax credit stated in the final credit
5 certificate approved by the Secretary for the investment as provided under this section.

6 (d) (1) The tax credit allowed in an initial tax credit certificate issued under
7 this section is:

8 (i) except as provided in item (ii) of this paragraph, 50% of the
9 investment in a qualified Maryland biotechnology company, not to exceed \$250,000; or

10 (ii) [if a qualified Maryland biotechnology company is located in
11 Allegany, Dorchester, Garrett, or Somerset counties,] 75% of the investment in the
12 qualified Maryland biotechnology company, not to exceed \$500,000, **IF A QUALIFIED**
13 **MARYLAND BIOTECHNOLOGY COMPANY:**

14 **1. IS LOCATED IN ALLEGANY COUNTY, DORCHESTER**
15 **COUNTY, GARRETT COUNTY, OR SOMERSET COUNTY; OR**

16 **2. IS LOCATED IN A REGIONAL INSTITUTION STRATEGIC**
17 **ENTERPRISE ZONE THAT IS DESIGNATED UNDER TITLE 5, SUBTITLE 14 OF THE**
18 **ECONOMIC DEVELOPMENT ARTICLE, IS BASED ON TECHNOLOGY THAT WAS**
19 **DEVELOPED AT A QUALIFIED INSTITUTION WITHIN THAT ZONE, AND HAS BEEN IN**
20 **ACTIVE BUSINESS NOT LONGER THAN 7 YEARS.**

21 10-733.

22 (b) (1) Subject to paragraph (2) of this subsection and subsections (d) and (f) of
23 this section, for the taxable year in which an investment in a qualified Maryland
24 cybersecurity company is made, a qualified investor may claim a credit against the State
25 income tax in an amount equal to the amount of tax credit stated in the final credit
26 certificate approved by the Secretary for the investment as provided under this section.

27 (d) (1) The tax credit allowed in an initial tax credit certificate issued under
28 this section is:

29 (i) except as provided in item (ii) of this paragraph, 33% of the
30 investment in a qualified Maryland cybersecurity company, not to exceed \$250,000; or

31 (ii) [if a qualified Maryland cybersecurity company is located in
32 Allegany County, Dorchester County, Garrett County, or Somerset County,] 50% of the
33 investment in the qualified Maryland cybersecurity company, not to exceed \$500,000, **IF A**
34 **QUALIFIED MARYLAND CYBERSECURITY COMPANY:**

1 **1. IS LOCATED IN ALLEGANY COUNTY, DORCHESTER**
 2 **COUNTY, GARRETT COUNTY, OR SOMERSET COUNTY; OR**

3 **2. IS LOCATED IN A REGIONAL INSTITUTION STRATEGIC**
 4 **ENTERPRISE ZONE THAT IS DESIGNATED UNDER TITLE 5, SUBTITLE 14 OF THE**
 5 **ECONOMIC DEVELOPMENT ARTICLE, IS BASED ON TECHNOLOGY THAT WAS**
 6 **DEVELOPED AT A QUALIFIED INSTITUTION WITHIN THAT ZONE, AND HAS BEEN IN**
 7 **ACTIVE BUSINESS NOT LONGER THAN 7 YEARS.**

8 SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland read
 9 as follows:

10 **Article – Tax – Property**

11 9–103.1.

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

13 (4) (i) “Business entity” means a person who operates or conducts a
 14 trade or business.

15 (ii) “Business entity” includes a person who owns, operates,
 16 develops, constructs, or rehabilitates real property if the real property:

17 1. is intended for use primarily as single or multifamily
 18 residential property located in a [Regional Institution Strategic Enterprise zone that is
 19 designated under Title 5, Subtitle 14 of the Economic Development Article] **RISE ZONE**;
 20 and

21 2. is partially devoted to a nonresidential use.

22 (6) “Qualified property” means real property that is:

23 (i) **LOCATED IN A RISE ZONE;**

24 (ii) **not used for residential purposes; AND**

25 [(ii)] (iii) used in a trade or business by a business entity **THAT**
 26 **LOCATES IN THE RISE ZONE BEFORE JANUARY 1, 2023**]; and

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

29 **(7) “RISE ZONE” HAS THE MEANING STATED IN § 5–1401 OF THE**
 30 **ECONOMIC DEVELOPMENT ARTICLE.**

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

4 (d) (2) If the designation of a [Regional Institution Strategic Enterprise]
5 **RISE** zone expires, the tax credit under this section continues to be available to a qualified
6 property.

7 SECTION 4. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall take
8 effect July 1, 2021, and shall be applicable to all taxable years beginning after December
9 31, 2020.

10 SECTION 5. AND BE IT FURTHER ENACTED, That Section 3 of this Act shall be
11 applicable to all taxable years beginning after June 30, 2021.

12 SECTION 6. AND BE IT FURTHER ENACTED, That, except as provided in Section
13 4 of this Act, this Act shall take effect June 1, 2021.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.