

# HOUSE BILL 478

C8  
HB 805/21 – W&M

2lr1470

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By: **Delegate Palakovich Carr**

Introduced and read first time: January 21, 2022

Assigned to: Ways and Means

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## A BILL ENTITLED

1 AN ACT concerning

2 **Economic Development – Enterprise Zone Program – Alterations**

3 FOR the purpose of establishing the purpose of the Enterprise Zone Program; altering the  
4 circumstances under which the Secretary of Commerce may designate an area as an  
5 enterprise zone or a focus area; prohibiting the Secretary from designating a new  
6 enterprise zone or granting an expansion of an existing enterprise zone under certain  
7 circumstances; altering a certain limitation on the expansion of an existing  
8 enterprise zone during a single calendar year; altering the circumstances under  
9 which the Secretary may grant an extraordinary expansion of an enterprise zone;  
10 altering the State agencies responsible for assessing the effectiveness of certain tax  
11 credits provided to certain business entities in enterprise zones; requiring the State  
12 Department of Assessments and Taxation and the Comptroller to submit to the  
13 Department of Commerce a certain report; requiring each county within which an  
14 enterprise zone is located to submit to the Department of Commerce a certain report;  
15 requiring the Department of Commerce to provide certain notification to a county  
16 under certain circumstances; requiring the Department of Commerce to develop  
17 certain metrics and a framework for analyzing certain matters; altering the  
18 definitions of certain employees for purposes of determining eligibility for a certain  
19 credit against the State income tax; limiting the amount of a certain credit against  
20 the State income tax that may be claimed by a business entity each taxable year;  
21 limiting the total amount of credits against the State income tax that certain  
22 business entities may claim each taxable year; providing that, for any taxable year,  
23 the amount of a certain credit against the property tax imposed on certain qualified  
24 property may not exceed a certain amount; providing for the termination of the  
25 Enterprise Zone Program and, except under certain circumstances, eligibility for  
26 certain tax credits provided under the Program; and generally relating to the  
27 Enterprise Zone Program.

28 BY repealing and reenacting, with amendments,

29 Article – Economic Development

30 Section 5–702, 5–704(a)(2) and (4) and (b), 5–705, 5–706, and 5–709

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Annotated Code of Maryland  
2 (2018 Replacement Volume and 2021 Supplement)

3 BY repealing and reenacting, without amendments,  
4 Article – Economic Development  
5 Section 5–704(a)(1) and 5–707(a) and (d)  
6 Annotated Code of Maryland  
7 (2018 Replacement Volume and 2021 Supplement)

8 BY adding to  
9 Article – Economic Development  
10 Section 5–710  
11 Annotated Code of Maryland  
12 (2018 Replacement Volume and 2021 Supplement)

13 BY repealing and reenacting, with amendments,  
14 Article – Tax – General  
15 Section 10–702  
16 Annotated Code of Maryland  
17 (2016 Replacement Volume and 2021 Supplement)

18 BY repealing and reenacting, without amendments,  
19 Article – Tax – Property  
20 Section 9–103(b)(1)  
21 Annotated Code of Maryland  
22 (2019 Replacement Volume and 2021 Supplement)

23 BY repealing and reenacting, with amendments,  
24 Article – Tax – Property  
25 Section 9–103(d)  
26 Annotated Code of Maryland  
27 (2019 Replacement Volume and 2021 Supplement)

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

30 **Article – Economic Development**

31 5–702.

32 **(A) THE PURPOSE OF THE ENTERPRISE ZONES AUTHORIZED UNDER THIS**  
33 **SUBTITLE IS TO ATTRACT, RETAIN, AND ENCOURAGE COMMERCIAL DEVELOPMENT**  
34 **IN ECONOMICALLY DISTRESSED AREAS OF THE STATE, IN PARTNERSHIP WITH**  
35 **POLITICAL SUBDIVISIONS, BY INCENTIVIZING CAPITAL INVESTMENT AND JOB**  
36 **CREATION THROUGH REAL PROPERTY AND INCOME TAX CREDITS.**

1           **(B)** Subject to § 9–103 of the Tax – Property Article, a business entity that owns,  
2 operates, develops, constructs, or rehabilitates property intended for use primarily as single  
3 or multifamily residential property located in an enterprise zone may not benefit from an  
4 incentive or initiative under this subtitle.

5 5–704.

6           (a)    (1)    The Secretary may only designate an area as an enterprise zone if the  
7 area:

8                           (i)    in a priority funding area or in a qualified opportunity zone  
9 under § 1400Z–1 of the Internal Revenue Code in Allegany County, Garrett County,  
10 Somerset County, or Wicomico County or meets an exception under Title 5, Subtitle 7B of  
11 the State Finance and Procurement Article; and

12                           (ii)   satisfies at least one of the requirements specified in paragraph  
13 (2) of this subsection.

14           (2)    An area may be designated as an enterprise zone if:

15                           (i)    the average rate of unemployment in **EACH CENSUS TRACT**  
16 **WITHIN** the area, or within a reasonable proximity to the area but in the same county **IF**  
17 **FEWER THAN 1,500 INDIVIDUALS RESIDE IN THE CENSUS TRACT**, for the most recent  
18 18–month period for which data are available is at least 150% of the greater of the average  
19 rate of unemployment in either the State or the United States during that period;

20                           (ii)   the population in **EACH CENSUS TRACT WITHIN** the area, or  
21 within a reasonable proximity to the area but in the same county **IF FEWER THAN 1,500**  
22 **INDIVIDUALS RESIDE IN THE CENSUS TRACT**, qualifies the area as a low–income poverty  
23 area;

24                           (iii)   at least 70% of the families in **EACH CENSUS TRACT WITHIN**  
25 the area, or within a reasonable proximity to the area but in the same county **IF FEWER**  
26 **THAN 1,500 INDIVIDUALS RESIDE IN THE CENSUS TRACT**, have incomes that are less  
27 than 80% of the median family income in the political subdivision that contains the area;  
28 or

29                           (iv)   the population in **EACH CENSUS TRACT WITHIN** the area, or  
30 within a reasonable proximity to the area but in the same county **IF FEWER THAN 1,500**  
31 **INDIVIDUALS RESIDE IN THE CENSUS TRACT**, decreased by 10% between the most recent  
32 two censuses, and the political subdivision can demonstrate to the Secretary’s satisfaction  
33 that:

34                                   1.    chronic abandonment or demolition of property is  
35 occurring in the area; or

1                   2.       substantial property tax arrearages exist in the area.

2                   (4)     The Secretary:

3                               **(I)     SHALL ADOPT REGULATIONS GOVERNING THE EVALUATION**  
4 **AND PRIORITIZATION OF APPLICATIONS FOR THE DESIGNATION OF NEW**  
5 **ENTERPRISE ZONES UNDER THIS SECTION AND THE EXPANSION OF EXISTING**  
6 **ENTERPRISE ZONES UNDER § 5-705 OF THIS SUBTITLE; AND**

7                               **(II)    may [establish by regulation any other requirements] ADOPT**  
8 **REGULATIONS** necessary and appropriate to carry out this subtitle.

9                   (b)     (1)     Within 60 days after a submission date, the Secretary may designate  
10 one or more enterprise zones from among the areas described in the applications timely  
11 submitted.

12                               (2)     The designation of an area as an enterprise zone is effective for 10  
13 years.

14                               (3)     The Secretary may not designate more than six enterprise zones in a  
15 calendar year.

16                               **(4)    IF THE SECRETARY REASONABLY ANTICIPATES THAT THE**  
17 **AGGREGATE AMOUNT OF PROPERTY TAX CREDITS CLAIMED UNDER § 9-103 OF THE**  
18 **TAX – PROPERTY ARTICLE FOR THE IMMEDIATELY PRECEDING FISCAL YEAR MAY**  
19 **EXCEED \$60,000,000, THE SECRETARY MAY NOT DESIGNATE A NEW ENTERPRISE**  
20 **ZONE DURING THE CURRENT FISCAL YEAR.**

21                               **[(4)] (5)    A county may not receive more than two enterprise zones in a**  
22 **calendar year.**

23 5-705.

24                               (a)     (1)     A political subdivision may apply to the Secretary to expand an existing  
25 enterprise zone in the same manner as the political subdivision would apply to designate a  
26 new enterprise zone.

27                               (2)     **[The] EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION,**  
28 **THE** Secretary may grant an expansion of an enterprise zone into an area that meets the  
29 requirements of § 5-704 of this subtitle.

30                               (3)     For purposes of § 5-704(b) of this subtitle, an expansion of an enterprise  
31 zone that does not exceed **[50%] 25%** of the existing geographic area of the enterprise zone  
32 does not count towards the limit on the number of enterprise zones that:

33                               (i)     the Secretary may designate in a calendar year; or

1 (ii) a county may receive in a calendar year.

2 (b) (1) The Secretary may grant one extraordinary expansion of an enterprise  
3 zone in the State each calendar year for an area that:

4 (i) meets the requirements of § 5–704 of this subtitle; and

5 (ii) in the determination of the Secretary, has suffered a significant  
6 loss of economic base **OR MERITS INCLUSION IN AN ENTERPRISE ZONE FOR A**  
7 **COMPELLING ECONOMIC REASON.**

8 (2) For purposes of § 5–704(b) of this subtitle, an extraordinary expansion  
9 of an enterprise zone **IS NOT SUBJECT TO THE LIMITATION UNDER SUBSECTION (C) OF**  
10 **THIS SECTION AND** does not count towards the limit on the number of enterprise zones  
11 that:

12 (i) the Secretary may designate in a calendar year; or

13 (ii) a county may receive in a calendar year.

14 **(C) IF THE SECRETARY REASONABLY ANTICIPATES THAT THE AGGREGATE**  
15 **AMOUNT OF PROPERTY TAX CREDITS CLAIMED UNDER § 9–103 OF THE TAX –**  
16 **PROPERTY ARTICLE FOR THE IMMEDIATELY PRECEDING FISCAL YEAR MAY EXCEED**  
17 **\$60,000,000, THE SECRETARY MAY NOT GRANT AN EXPANSION OF AN EXISTING**  
18 **ENTERPRISE ZONE DURING THE CURRENT FISCAL YEAR.**

19 5–706.

20 (a) A political subdivision may request the Secretary to designate all or part of an  
21 enterprise zone as a focus area for the lesser of:

22 (1) 5 years; or

23 (2) the remainder of the 10–year term of the applicable enterprise zone.

24 (b) The request may be made on or before a submission date when the political  
25 subdivision applies for the designation of a new enterprise zone or after the Secretary has  
26 designated an enterprise zone.

27 (c) The Secretary may grant the request if the area is located in an enterprise  
28 zone and meets at least three of the following criteria:

29 (1) the average unemployment rate in **EACH CENSUS TRACT WITHIN** the  
30 area, or within a reasonable proximity to the area but in the same county **IF FEWER THAN**  
31 **1,500 INDIVIDUALS RESIDE IN THE CENSUS TRACT**, for the most recent 18–month

1 period for which data are available is at least 150% of the greater of the average rate of  
2 unemployment in either the State or the United States during that same period;

3 (2) the population in **EACH CENSUS TRACT WITHIN** the area, or within a  
4 reasonable proximity to the area but in the same county **IF FEWER THAN 1,500**  
5 **INDIVIDUALS RESIDE IN THE CENSUS TRACT**, has an incidence of poverty that is at least  
6 150% of the national average;

7 (3) the crime rate in **EACH CENSUS TRACT WITHIN** the area, or within a  
8 reasonable proximity to the area but in the same county **IF FEWER THAN 1,500**  
9 **INDIVIDUALS RESIDE IN THE CENSUS TRACT**, is at least 150% of the crime rate in the  
10 political subdivision where the area is located;

11 (4) the percentage of substandard housing in **EACH CENSUS TRACT**  
12 **WITHIN** the area, or within a reasonable proximity to the area but in the same county **IF**  
13 **FEWER THAN 1,500 INDIVIDUALS RESIDE IN THE CENSUS TRACT**, is at least 200% of  
14 the percentage of housing units in the State that are substandard, according to data from  
15 the United States Bureau of the Census or other State or federal government data the  
16 Secretary considers appropriate; or

17 (5) at least 20% of the square footage of commercial property in **EACH**  
18 **CENSUS TRACT WITHIN** the area, or within a reasonable proximity to the area but within  
19 the same county **IF FEWER THAN 1,500 INDIVIDUALS RESIDE IN THE CENSUS TRACT**,  
20 is vacant, according to data from the United States Bureau of the Census or other State or  
21 federal government data the Secretary considers appropriate.

22 5-707.

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

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

25 (2) the income tax credits in § 10-702 of the Tax – General Article; and

26 (3) consideration for financial assistance from programs in Subtitle 1 of  
27 this title.

28 (d) (1) Except as provided in § 10-702 of the Tax – General Article and §  
29 9-103 of the Tax – Property Article, the incentives and initiatives set forth in this section  
30 are available for 10 years after the date that an area is designated an enterprise zone.

31 (2) A law enacted after the enactment of this section that eliminates or  
32 reduces the benefits available to a business entity under this section does not apply to a  
33 business entity that was in an enterprise zone before the effective date of the law.

34 5-709.

1 (a) The Department [and the Comptroller jointly] shall assess each year the  
2 effectiveness of the tax credits provided to business entities in enterprise zones and focus  
3 areas in enterprise zones, including:

4 (1) the number and amounts of credits granted each year; and

5 (2) the success of the tax credits in attracting and retaining business  
6 entities in enterprise zones and focus areas.

7 **(B) (1) ON OR BEFORE SEPTEMBER 15 EACH YEAR, THE STATE**  
8 **DEPARTMENT OF ASSESSMENTS AND TAXATION SHALL SUBMIT TO THE**  
9 **DEPARTMENT A REPORT THAT INCLUDES THE FOLLOWING INFORMATION FOR THE**  
10 **IMMEDIATELY PRECEDING TAXABLE YEAR:**

11 **(I) THE NUMBER OF PROPERTIES CLAIMING A PROPERTY TAX**  
12 **CREDIT UNDER § 9-103 OF THE TAX - PROPERTY ARTICLE CALCULATED IN**  
13 **ACCORDANCE WITH § 9-103(D)(1) OF THE TAX - PROPERTY ARTICLE;**

14 **(II) THE NUMBER OF PROPERTIES CLAIMING A PROPERTY TAX**  
15 **CREDIT UNDER § 9-103 OF THE TAX - PROPERTY ARTICLE CALCULATED IN**  
16 **ACCORDANCE WITH § 9-103(D)(4) OF THE TAX - PROPERTY ARTICLE;**

17 **(III) THE NUMBER OF PROPERTIES NEWLY CERTIFIED AS**  
18 **QUALIFIED PROPERTIES BY THE STATE DEPARTMENT OF ASSESSMENTS AND**  
19 **TAXATION AS ELIGIBLE FOR THE PROPERTY TAX CREDIT UNDER § 9-103 OF THE TAX**  
20 **- PROPERTY ARTICLE; AND**

21 **(IV) FOR EACH TAXPAYER CLAIMING OR RECEIVING A PROPERTY**  
22 **TAX CREDIT UNDER § 9-103 OF THE TAX - PROPERTY ARTICLE:**

23 1. THE NAME OF THE TAXPAYER;

24 2. THE LOCATION OF THE QUALIFIED PROPERTY FOR  
25 WHICH THE CREDIT WAS CLAIMED; AND

26 3. THE AMOUNT OF TAX SAVINGS RECEIVED BY EACH  
27 QUALIFIED PROPERTY.

28 **(2) ON OR BEFORE SEPTEMBER 15 EACH YEAR, THE COMPTROLLER**  
29 **SHALL SUBMIT TO THE DEPARTMENT A REPORT THAT INCLUDES THE FOLLOWING**  
30 **INFORMATION FOR THE IMMEDIATELY PRECEDING TAXABLE YEAR:**

31 **(I) THE NAME AND ADDRESS OF EACH BUSINESS ENTITY THAT**

1 CLAIMED AN INCOME TAX CREDIT UNDER § 10-702 OF THE TAX – GENERAL  
2 ARTICLE;

3 (II) THE BUSINESS ACTIVITY CODE OR NORTH AMERICAN  
4 INDUSTRY CLASSIFICATION SYSTEM (NAICS) CODE OF THE BUSINESS ENTITY;

5 (III) THE NUMBER OF QUALIFIED EMPLOYEES AND FOCUS AREA  
6 EMPLOYEES EMPLOYED BY THE BUSINESS ENTITY;

7 (IV) THE NUMBER OF ECONOMICALLY DISADVANTAGED  
8 INDIVIDUALS EMPLOYED BY THE BUSINESS ENTITY AND THE NUMBER OF YEARS FOR  
9 WHICH THOSE ECONOMICALLY DISADVANTAGED INDIVIDUALS HAVE BEEN  
10 EMPLOYED BY THE BUSINESS ENTITY; AND

11 (V) THE TOTAL AMOUNT OF THE INCOME TAX CREDIT CLAIMED  
12 BY THE BUSINESS ENTITY.

13 (c) (1) (i) ON OR BEFORE SEPTEMBER 15 EACH YEAR, EACH COUNTY  
14 WITHIN WHICH AN ENTERPRISE ZONE IS LOCATED SHALL SUBMIT TO THE  
15 DEPARTMENT A DETAILED REPORT ON EACH ENTERPRISE ZONE IN THE COUNTY TO  
16 ASSIST THE DEPARTMENT IN THE ASSESSMENT REQUIRED UNDER SUBSECTION (A)  
17 OF THIS SECTION.

18 (ii) THE COUNTY SHALL INCLUDE IN THE REPORT REQUIRED  
19 UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH THE FOLLOWING INFORMATION  
20 FOR THE IMMEDIATELY PRECEDING FISCAL YEAR:

21 1. NOTABLE EXAMPLES OF REDEVELOPMENT OR NEW  
22 BUSINESSES RELOCATING OR EXPANDING IN THE ENTERPRISE ZONE DUE TO THE  
23 TAX CREDITS PROVIDED UNDER THIS SUBTITLE; AND

24 2. A DESCRIPTION OF FUTURE ECONOMIC  
25 DEVELOPMENT PROJECTS THAT MIGHT CLAIM A TAX CREDIT PROVIDED UNDER THIS  
26 SUBTITLE, INCLUDING WITH RESPECT TO EACH PROJECT:

27 A. WHETHER THE PROJECT IS LOCATED WITHIN A FOCUS  
28 AREA;

29 B. WHETHER THE PROJECT MAY QUALIFY FOR A CREDIT  
30 UNDER THIS SUBTITLE AGAINST THE TAX IMPOSED ON REAL PROPERTY, PERSONAL  
31 PROPERTY, OR INCOME; AND

32 C. ANTICIPATED CAPITAL OR PERSONAL PROPERTY

1 EXPENDITURES FOR THE PROJECT.

2 (2) (I) IF A COUNTY FAILS TO PROVIDE THE REPORT REQUIRED  
3 UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE DEPARTMENT SHALL NOTIFY  
4 THE COUNTY THAT THE REPORT IS DUE.

5 (II) IF, AFTER THE DEPARTMENT HAS PROVIDED A COUNTY THE  
6 NOTICE DESCRIBED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE COUNTY  
7 FAILS TO PROMPTLY PROVIDE THE OVERDUE REPORT, THE SECRETARY MAY NOT  
8 DESIGNATE A NEW ENTERPRISE ZONE IN THE COUNTY OR GRANT THE EXPANSION OF  
9 AN EXISTING ENTERPRISE ZONE IN THE COUNTY UNTIL THE REPORT IS RECEIVED  
10 BY THE DEPARTMENT.

11 (D) THE DEPARTMENT SHALL DEVELOP FORMAL METRICS AND A  
12 FRAMEWORK FOR ANALYZING:

13 (1) THE COST-EFFECTIVENESS OF EACH ENTERPRISE ZONE; AND

14 (2) THE EFFECTIVENESS OF EACH ENTERPRISE ZONE IN ATTRACTING  
15 BUSINESSES AND INCREASING EMPLOYMENT.

16 [(b)] (E) On or before December 15 [of] each year, the Department [and the  
17 Comptroller] shall submit to the Governor and, in accordance with § 2-1257 of the State  
18 Government Article, the General Assembly a report outlining the findings of the  
19 Department [and the Comptroller] and any other information of value in determining the  
20 effectiveness of the tax credits provided under § 5-707(b) of this subtitle.

21 5-710.

22 THIS SUBTITLE AND, EXCEPT AS PROVIDED IN § 5-707(D)(2) OF THIS  
23 SUBTITLE, ELIGIBILITY FOR THE TAX CREDITS PROVIDED UNDER § 5-707(A) OF THIS  
24 SUBTITLE SHALL TERMINATE ON JANUARY 1, 2030.

25 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read  
26 as follows:

27 **Article – Tax – General**

28 10-702.

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

30 (2) (i) “Business entity” means:

31 1. a person conducting or operating a trade or business; or



1 (v) earns at least [150 percent] **120%** of the [federal] **STATE**  
2 minimum wage.

3 (7) “Qualified employee” means an individual who:

4 (i) is [a new employee] **HIRED TO FILL A NEWLY CREATED**  
5 **POSITION** or [an employee rehired after being laid off for more than 1 year by a business  
6 entity], **IF THE INDIVIDUAL IS AN ECONOMICALLY DISADVANTAGED INDIVIDUAL, IS**  
7 **HIRED TO FILL A POSITION PREVIOUSLY HELD BY ANOTHER ECONOMICALLY**  
8 **DISADVANTAGED INDIVIDUAL;**

9 (ii) is employed by a business entity at least 35 hours each week for  
10 at least 6 months before or during the taxable year for which the entity claims a credit;

11 (iii) spends at least 50% of the hours under item (ii) of this paragraph,  
12 either in the enterprise zone or on activities of the business entity resulting directly from  
13 its location in the enterprise zone;

14 (iv) earns at least [150%] **120%** of the [federal] **STATE** minimum  
15 wage; and

16 (v) is hired by the business entity after the later of:

17 1. the date on which the enterprise zone is designated; or

18 2. the date on which the business entity locates in the  
19 enterprise zone.

20 (b) (1) **[Any] SUBJECT TO THE LIMITATIONS OF THIS SECTION, ANY**  
21 business entity that is located in an enterprise zone and satisfies the requirements of §  
22 5–707 of the Economic Development Article may claim a credit only against the State  
23 income tax for the wages specified in subsections (c) and (d) of this section that are paid in  
24 the taxable year for which the entity claims the credit.

25 (2) **[A] SUBJECT TO THE LIMITATIONS OF THIS SECTION, A** business  
26 entity that is located in a focus area and satisfies the requirements of § 5–707 of the  
27 Economic Development Article may claim a credit only against the State income tax for the  
28 wages specified in subsection (e) of this section that are paid to a focus area employee in  
29 the taxable year for which the entity claims the credit.

30 (3) An organization that is exempt from taxation under § 501(c)(3) or (4) of  
31 the Internal Revenue Code may apply the credit under this section as a credit against  
32 income tax due on unrelated business taxable income as provided under §§ 10–304 and  
33 10–812 of this title.

34 (c) If a business entity does not claim an enhanced tax credit under subsection (e)

1 of this section for a focus area employee, for the taxable year in which a business entity  
2 satisfies the requirements of § 5-707 or § 5-1406 of the Economic Development Article, a  
3 credit is allowed that equals:

4 (1) up to \$3,000 of the wages paid to each qualified employee who:

5 (i) is an economically disadvantaged individual; and

6 (ii) is not hired to replace an individual whom the business entity  
7 employed in that or any of the 3 preceding taxable years; and

8 (2) up to \$1,000 of the wages paid to each qualified employee who:

9 (i) is not an economically disadvantaged individual; and

10 (ii) is not hired to replace an individual whom the business entity  
11 employed in that or any of the 3 preceding taxable years.

12 (d) (1) If a business entity does not claim an enhanced tax credit under  
13 subsection (e) of this section for a focus area employee, for each taxable year after the  
14 taxable year described in subsection (c) of this section, while the area is designated an  
15 enterprise zone, a credit is allowed that equals:

16 (i) up to \$3,000 of the wages paid to each qualified employee who:

17 1. is an economically disadvantaged individual;

18 2. became a qualified employee during the taxable year to  
19 which the credit applies; and

20 3. is not hired to replace an individual whom the business  
21 entity employed in that or any of the 3 preceding taxable years;

22 (ii) up to \$2,000 of the wages paid to each qualified employee who is  
23 an economically disadvantaged individual, if the business entity received a credit under  
24 subsection (c)(1) of this section for the qualified employee in the immediately preceding  
25 taxable year; and

26 (iii) up to \$1,000 of the wages paid to each qualified employee who is  
27 not hired to replace an individual whom the business entity employed in that or any of the  
28 3 preceding taxable years if the qualified employee:

29 1. is an economically disadvantaged individual for whom the  
30 business entity received a credit under subsection (c)(1) of this section or item (i) of this  
31 paragraph and a credit under item (ii) of this paragraph in the 2 immediately preceding  
32 taxable years; or

1                   2.     is not an economically disadvantaged individual but  
2 became a qualified employee during the taxable year to which the credit applies.

3                   (2)     A business entity that hires a qualified employee to replace another  
4 qualified employee for whom the business entity received a credit under subsection (c)(1) of  
5 this section and paragraph (1)(ii) of this subsection in the immediately preceding taxable  
6 year may treat the new qualified employee as the replacement for the other qualified  
7 employee to determine any credit that may be available to the business entity under  
8 paragraph (1)(ii) or (iii) of this subsection.

9                   (e)     (1)     For the taxable year in which a business entity satisfies the  
10 requirements of §§ 5–706 and 5–707 or § 5–1406 of the Economic Development Article, a  
11 credit is allowed that equals:

12                   (i)     up to \$4,500 of the wages paid to each focus area employee who:

13                   1.     is an economically disadvantaged individual; and

14                   2.     is not hired to replace an individual whom the business  
15 entity employed in that year or any of the 3 preceding taxable years; and

16                   (ii)    up to \$1,500 of the wages paid to each focus area employee who:

17                   1.     is not an economically disadvantaged individual; and

18                   2.     is not hired to replace an individual whom the business  
19 entity employed in that year or any of the 3 preceding taxable years.

20                   (2)     For each taxable year after the taxable year described in paragraph (1)  
21 of this subsection, while the area is designated a focus area, a credit is allowed that equals:

22                   (i)     up to \$4,500 of the wages paid to each focus area employee who:

23                   1.     is an economically disadvantaged individual;

24                   2.     became a focus area employee during the taxable year to  
25 which the credit applies; and

26                   3.     is not hired to replace an individual whom the business  
27 entity employed in that year or any of the 3 preceding taxable years;

28                   (ii)    up to \$3,000 of the wages paid to each focus area employee who  
29 is an economically disadvantaged individual, if the business entity received a credit under  
30 paragraph (1)(i) of this subsection for the focus area employee in the immediately preceding  
31 taxable year; and

32                   (iii)   up to \$1,500 of the wages paid to each focus area employee who

1 is not hired to replace an individual whom the business entity employed in that year or any  
2 of the 3 preceding taxable years if the focus area employee:

3 1. is an economically disadvantaged individual for whom the  
4 business entity received a credit under item (ii) of this paragraph in the 2 immediately  
5 preceding taxable years and under:

6 A. paragraph (1)(i) of this subsection; or

7 B. item (i) of this paragraph; or

8 2. is not an economically disadvantaged individual but  
9 became a focus area employee during the taxable year to which the credit applies.

10 (3) A business entity that hires a focus area employee to replace another  
11 focus area employee for whom the business entity received a credit under paragraph (1)(i)  
12 of this subsection and paragraph (2)(ii) of this subsection in the immediately preceding  
13 taxable year may treat the focus area employee as the replacement for the other focus area  
14 employee to determine any credit that may be available to the business entity under  
15 paragraph (2)(ii) or (iii) of this subsection.

16 **(F) (1) THE CREDIT ALLOWED UNDER THIS SECTION SHALL BE CLAIMED**  
17 **ON A FIRST-COME, FIRST-SERVED BASIS.**

18 **(2) FOR ANY TAXABLE YEAR:**

19 **(I) THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT**  
20 **EXCEED \$250,000; AND**

21 **(II) THE TOTAL AMOUNT OF CREDITS CLAIMED BY BUSINESS**  
22 **ENTITIES MAY NOT EXCEED \$2,000,000.**

23 **[(f)] (G)** If the credit allowed under this section in any taxable year exceeds the  
24 State income tax for that taxable year, a business entity may apply the excess as a credit  
25 against the State income tax for succeeding taxable years until the earlier of:

26 (1) the full amount of the excess is used; or

27 (2) the expiration of the 5th taxable year from the date on which the  
28 business entity hired the qualified employee to whom the credit first applies.

29 **[(g)] (H)** If a credit is claimed under this section, the claimant must make the  
30 addition required in § 10-205, § 10-206, or § 10-306 of this title.

31 **SECTION 3. AND BE IT FURTHER ENACTED,** That the Laws of Maryland read  
32 as follows:



1           SECTION 5. AND BE IT FURTHER ENACTED, That Section 3 of this Act shall be  
2 applicable to all taxable years beginning after June 30, 2022.

3           SECTION 6. AND BE IT FURTHER ENACTED, That this Act shall take effect June  
4 1, 2022.