

HOUSE BILL 983

C8, Q1, Q3

6lr2776

By: **Delegate Palakovich Carr**

Introduced and read first time: February 6, 2026

Assigned to: Ways and Means and Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **State Tax Credits, Modifications, and Exemptions – Alterations and Repeal**

3 FOR the purpose of altering the circumstances under which the Secretary of Commerce
4 may designate an area as an enterprise zone or a focus area under the Enterprise
5 Zone Program; prohibiting the Secretary from designating a new enterprise zone or
6 granting an expansion or extraordinary expansion of an existing enterprise zone
7 under certain circumstances; providing for the termination of the Enterprise Zone
8 Program on a certain date and, except under certain circumstances, eligibility for
9 certain tax credits provided under the Enterprise Zone Program; providing for the
10 termination of the One Maryland Economic Development Tax Credit Program on a
11 certain date; providing an addition modification under the Maryland income tax for
12 the entire amount of certain deductions under the Internal Revenue Code for
13 dividends paid for real estate investment trusts; limiting the amount of a credit and
14 the total amount of credits against the State income tax under the Enterprise Zone
15 Program that may be claimed by a business entity each taxable year; altering the
16 termination dates of the biotechnology investment incentive tax credit, the security
17 clearance administrative expense tax credit, and the cybersecurity technology and
18 service tax credit; establishing the purpose of the film production activity tax credit;
19 limiting the excess amount of tax credit certificates that the Secretary of Commerce
20 may carry forward and issue in subsequent fiscal years under the film production
21 activity tax credit; altering eligibility for a certain tax credit for certain qualified
22 vehicles; repealing a certain discount that a licensed dealer or licensed special fuel
23 seller is allowed to deduct under the motor fuel tax; repealing certain sales and use
24 tax exemptions for sales relating to the production of concrete, certain
25 telecommunications machinery and equipment, and certain construction materials
26 and warehousing equipment used in a target redevelopment area; altering a certain
27 exemption from the tobacco tax for tobacco brought into the State by certain
28 consumers; providing for the termination of a certain enhanced credit against the
29 property tax imposed on certain qualified property under the Enterprise Zone
30 Program; providing that, for any taxable year, the amount of a certain credit against
31 the property tax imposed on certain qualified property under the Enterprise Zone

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Program may not exceed a certain amount; providing for the termination of the
2 eligibility for certain tax credits provided for certain businesses that create new jobs;
3 requiring the Department of Commerce to evaluate the film production activity tax
4 credit and submit a certain report on or before a certain date; and generally relating
5 to credits, modifications, and exemptions under the State income, motor fuel, sales
6 and use, tobacco, and property taxes.

7 BY repealing and reenacting, without amendments,
8 Article – Economic Development
9 Section 5–704(a)(1) and 5–707(a)
10 Annotated Code of Maryland
11 (2024 Replacement Volume and 2025 Supplement)

12 BY repealing and reenacting, with amendments,
13 Article – Economic Development
14 Section 5–704(a)(2) and (b), 5–705, 5–706, and 5–707(d)
15 Annotated Code of Maryland
16 (2024 Replacement Volume and 2025 Supplement)

17 BY adding to
18 Article – Economic Development
19 Section 5–710 and 6–407
20 Annotated Code of Maryland
21 (2024 Replacement Volume and 2025 Supplement)

22 BY repealing and reenacting, without amendments,
23 Article – Tax – General
24 Section 10–204(a) and 10–734.1(a)
25 Annotated Code of Maryland
26 (2022 Replacement Volume and 2025 Supplement)

27 BY adding to
28 Article – Tax – General
29 Section 10–204(m) and 10–702(f)
30 Annotated Code of Maryland
31 (2022 Replacement Volume and 2025 Supplement)

32 BY repealing and reenacting, with amendments,
33 Article – Tax – General
34 Section 10–305, 10–702(b), (f), and (g), 10–725(c)(3)(ii), 10–730, 10–732(b)(1),
35 10–733.1(d)(3), 10–734.1(b), 11–210, and 12–104(b)(3)(i)
36 Annotated Code of Maryland
37 (2022 Replacement Volume and 2025 Supplement)

38 BY repealing
39 Article – Tax – General
40 Section 9–315, 10–306.2, and 11–232

1 Annotated Code of Maryland
2 (2022 Replacement Volume and 2025 Supplement)

3 BY repealing and reenacting, without amendments,
4 Article – Tax – Property
5 Section 9–103(b)(1) and 9–230(b)(1)
6 Annotated Code of Maryland
7 (2019 Replacement Volume and 2025 Supplement)

8 BY repealing and reenacting, with amendments,
9 Article – Tax – Property
10 Section 9–103(d) and 9–230(b)(2), (c)(3), (d)(5), and (m)
11 Annotated Code of Maryland
12 (2019 Replacement Volume and 2025 Supplement)

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

15 **Article – Economic Development**

16 5–704.

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

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

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

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

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

32 (ii) the population in **EACH CENSUS TRACT WITHIN** the area, or
33 within a reasonable proximity to the area but in the same county **IF FEWER THAN 1,500**
34 **INDIVIDUALS RESIDE IN A CENSUS TRACT WITHIN THE AREA**, qualifies the area as a
35 low–income poverty area;

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

6 (iv) the population in **EACH CENSUS TRACT WITHIN** the area, or
7 within a reasonable proximity to the area but in the same county **IF FEWER THAN 1,500**
8 **INDIVIDUALS RESIDE IN A CENSUS TRACT WITHIN THE AREA**, decreased by 10%
9 between the most recent two censuses, and the political subdivision can demonstrate to the
10 Secretary's satisfaction that:

11 1. chronic abandonment or demolition of property is
12 occurring in the area; or

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

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

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

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

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

26 ~~[(4)]~~ **(5)** A county may not receive more than two enterprise zones in a
27 calendar year.

28 5-705.

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

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

1 (3) For purposes of § 5–704(b) of this subtitle, an expansion of an enterprise
2 zone that does not exceed 25% of the existing geographic area of the enterprise zone does
3 not count towards the limit on the number of enterprise zones that:

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

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

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

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

9 (ii) in the determination of the Secretary, has suffered a significant
10 loss of economic base or merits inclusion in an enterprise zone for a compelling economic
11 reason.

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

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

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

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

23 5–706.

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

26 (1) 5 years; or

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

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

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

3 (1) the average unemployment rate in **EACH CENSUS TRACT WITHIN** the
4 area, or within a reasonable proximity to the area but in the same county **IF FEWER THAN**
5 **1,500 INDIVIDUALS RESIDE IN A CENSUS TRACT WITHIN THE AREA**, for the most recent
6 18-month period for which data are available is at least 150% of the greater of the average
7 rate of unemployment in either the State or the United States during that same period;

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

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

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

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

27 5-707.

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

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

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

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

33 (d) (1) Except as provided in § 10-702 of the Tax – General Article and §
34 9-103 of the Tax – Property Article, the incentives and initiatives set forth in this section
35 are available for 10 years after the date that an area is designated an enterprise zone.

1 (a) To the extent excluded from federal taxable income, the amounts under this
2 section are added to the federal taxable income of a corporation to determine Maryland
3 modified income.

4 (b) The addition under subsection (a) of this section includes the net capital loss
5 carryback, as defined in § 1212 of the Internal Revenue Code.

6 (c) The addition under subsection (a) of this section includes any taxes based on
7 net income that are imposed by any state or by a political subdivision of any state.

8 (d) The addition under subsection (a) of this section includes the additions
9 required for an individual under:

10 (1) § 10–204(b) of this title (Dividends and interest from another state or
11 local obligation);

12 (2) § 10–204(c)(2) of this title (Federal tax–exempt income);

13 (3) § 10–204(e) of this title (Oil percentage depletion allowance);

14 (4) § 10–204(i) of this title (Deduction for qualified production activities
15 income);

16 (5) § 10–204(j) of this title (Deduction for costs for security clearance
17 administrative expenses and construction and equipment costs incurred to construct or
18 renovate a sensitive compartmented information facility); [and]

19 (6) § 10–204(l) of this title (Deduction for donations to qualified permanent
20 endowment funds); AND

21 **(7) § 10–204(M) OF THIS TITLE (DEDUCTION FOR DIVIDENDS PAID**
22 **FOR REAL ESTATE INVESTMENT TRUSTS).**

23 [10–306.2.

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

25 (2) (i) “Captive REIT” means a corporation, trust, or association:

26 1. that is considered a real estate investment trust for the
27 taxable year under § 856 of the Internal Revenue Code;

28 2. that is not regularly traded on an established securities
29 market; and

30 3. of which more than 50% of the voting power or value of the

1 beneficial interests or shares, at any time during the last half of the taxable year, is owned
2 or controlled, directly or indirectly, by a single entity that is subject to the provisions of
3 Subchapter C of Chapter 1 of the Internal Revenue Code.

4 (ii) “Captive REIT” does not include:

5 1. a corporation, trust, or association of which, at any time
6 during which the corporation, trust, or association satisfies subparagraph (i)3 of this
7 paragraph, more than 50% of the voting power or value of the beneficial interests or shares
8 of the corporation, trust, or association is owned or controlled, directly or indirectly, by:

9 A. a real estate investment trust other than a real estate
10 investment trust described in subparagraph (i) of this paragraph;

11 B. a person exempt from taxation under § 501 of the Internal
12 Revenue Code;

13 C. a listed Australian property trust, or an entity organized
14 as a trust in which a listed Australian property trust owns or controls, directly or indirectly,
15 75% or more of the voting power or value of the beneficial interests or shares of the trust;
16 or

17 D. a qualified foreign entity; or

18 2. subject to regulations that the Comptroller adopts, a real
19 estate investment trust that is intended to become regularly traded on an established
20 securities market and that satisfies the requirements of § 856(a)(5) and (6) of the Internal
21 Revenue Code by reason of § 856(h)(2) of the Internal Revenue Code.

22 (3) “Qualified foreign entity” means a corporation, trust, association, or
23 partnership that is organized under the laws of a foreign government and:

24 (i) at least 75% of the total asset value of the entity at the close of
25 the entity’s taxable year is represented by real estate assets, as defined in § 856 of the
26 Internal Revenue Code, cash and cash equivalents, and United States government
27 securities;

28 (ii) 1. is not subject to tax on amounts distributed to the entity’s
29 beneficial owners; or

30 2. is exempt from entity–level taxation;

31 (iii) on an annual basis, distributes at least 85% of the taxable income
32 of the entity, as computed in the jurisdiction in which the entity is organized, to the holders
33 of the shares or certificates of the beneficial interests of the entity;

34 (iv) 1. of which not more than 10% of the voting power or value

1 of the beneficial interests or shares of the entity is owned or controlled directly, indirectly,
2 or constructively by a single entity or individual; or

3 2. the beneficial interests or shares of the entity are
4 regularly traded on an established securities market; and

5 (v) the entity is organized in a foreign country that has a tax treaty
6 with the United States government.

7 (b) In addition to the modifications under §§ 10–305 through 10–306.1 of this
8 subtitle, an amount equal to the amount of the dividends paid deduction allowed under the
9 Internal Revenue Code for the taxable year is added to federal taxable income to determine
10 the Maryland modified income of a captive REIT.

11 (c) For purposes of this section, the constructive ownership rules prescribed
12 under § 318(a) of the Internal Revenue Code, as modified by § 856(d)(5) of the Internal
13 Revenue Code, shall apply in determining the ownership of stock, assets, or net profits of
14 any person.]

15 10–702.

16 (b) (1) **[Any] SUBJECT TO THE LIMITATIONS OF THIS SECTION, ANY**
17 business entity that is located in an enterprise zone and satisfies the requirements of §
18 5–707 of the Economic Development Article may claim a credit only against the State
19 income tax for the wages specified in subsections (c) and (d) of this section that are paid in
20 the taxable year for which the entity claims the credit.

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

26 (3) An organization that is exempt from taxation under § 501(c)(3) or (4) of
27 the Internal Revenue Code may apply the credit under this section as a credit against
28 income tax due on unrelated business taxable income as provided under §§ 10–304 and
29 10–812 of this title.

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

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

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

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

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

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

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

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

11 10–725.

12 (c) (3) (ii) The Department may not issue any tax credit certificates under
13 this section after June 30, ~~[2028]~~ **2026**.

14 10–730.

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

16 (2) “Department” means the Department of Commerce.

17 (3) “Digital animation project” means the creation, development, and
18 production of computer-generated animation content for distribution or exhibition to the
19 general public.

20 (4) (i) “Film production activity” means:

21 1. the production of a film or video project that is intended
22 for nationwide commercial distribution; and

23 2. for a television series, each season of the television series.

24 (ii) “Film production activity” includes the production of:

25 1. a feature film;

26 2. a television project;

27 3. a commercial;

28 4. a corporate film;

5. a music video;
6. a digital animation project;
7. a documentary; or
8. a talk, reality, or game show.

(iii) "Film production activity" does not include production of:

1. a student film;
2. a noncommercial personal video;
3. a sports broadcast;
4. a broadcast of a live event;
5. a video, computer, or social networking game;
6. pornography;
7. an infomercial;
8. a digital project or an animation project other than a digital animation project; or
9. a multimedia project.

(5) "Maryland small or independent film entity" means a qualified film production entity that:

- (i) has been incorporated in Maryland for at least 3 months;
- (ii) is independently owned and operated;
- (iii) is not a subsidiary of another entity;
- (iv) is not dominant in its field of operation;
- (v) employs 25 or fewer full-time employees; and
- (vi) employs Maryland residents as at least 40% of its workforce in the film production activity.

1 (6) “Pornography” means any production for which records are required to
2 be maintained under § 2257 of Title 18, U.S.C., with respect to any performer in such
3 production engaging in sexually explicit conduct.

4 (7) “Qualified film production entity” means an entity that:

5 (i) is carrying out a film production activity; and

6 (ii) the Secretary determines to be eligible for the tax credit under
7 this section in accordance with subsection [(c)] **(D)** of this section.

8 (8) “Secretary” means the Secretary of Commerce.

9 (9) “Television series” means a group of program episodes intended for
10 television broadcast or transmission with a common series title, with or without a
11 predetermined number of episodes, and shall include a miniseries and a pilot episode
12 produced for an intended television series.

13 (10) (i) “Total direct costs”, with respect to a film production activity,
14 means the total costs incurred in the State that are necessary to carry out the film
15 production activity.

16 (ii) “Total direct costs” includes costs incurred for:

17 1. employee wages and benefits;

18 2. fees for services;

19 3. acquiring or leasing property;

20 4. salaries, wages, or other compensation for writers,
21 directors, or producers; and

22 5. any other expense necessary to carry out a film production
23 activity, including costs associated with:

24 A. set construction and operation;

25 B. wardrobe, makeup, and related services;

26 C. photography and sound synchronization, lighting, and
27 related services and materials;

28 D. editing and related services, including film processing,
29 transfers of film to tape or digital format, sound mixing, computer graphic services, special
30 effects services, and animation services;

1 E. salary, wages, and other compensation including related
2 benefits, for work performed in the State, paid to persons employed in the production;

3 F. rental of facilities in the State and equipment used in the
4 State;

5 G. leasing of vehicles;

6 H. food and lodging;

7 I. music, if performed, composed, or recorded by a Maryland
8 musician or published by a person or company domiciled in Maryland;

9 J. travel expenses incurred to bring persons employed, either
10 directly or indirectly, in the production of the project to Maryland, but not including
11 expenses of these persons departing from Maryland; and

12 K. legal and accounting services performed by attorneys or
13 accountants licensed in Maryland.

14 (iii) "Total direct costs" does not include any salary, wages, or other
15 compensation for personal services of an individual who receives more than \$500,000 in
16 salary, wages, or other compensation for personal services in connection with any film
17 production activity.

18 **(B) THE PURPOSE OF THE TAX CREDIT ALLOWED UNDER THIS SECTION IS**
19 **TO INCENTIVIZE AND PROMOTE FILM PRODUCTION ACTIVITY IN THE STATE TO**
20 **STIMULATE THE LOCAL ECONOMY BY CREATING JOBS, FOSTERING INVESTMENT IN**
21 **INDUSTRY INFRASTRUCTURE, AND BOOSTING TOURISM.**

22 **[(b)] (C)** (1) A qualified film production entity may claim a credit against the
23 State income tax for film production activities in the State in an amount equal to the
24 amount stated in the final tax credit certificate approved by the Secretary for film
25 production activities.

26 (2) If the tax credit allowed under this section in any taxable year exceeds
27 the total tax otherwise payable by the qualified film production entity for that taxable year,
28 the qualified film production entity may claim a refund in the amount of the excess.

29 **[(c)] (D)** (1) Before beginning a film production activity, a film production
30 entity shall submit to the Department an application to qualify as a film production entity.

31 (2) The application shall describe the anticipated film production activity,
32 including:

33 (i) the projected total budget;

1 (ii) the estimated number of Maryland resident and out-of-state
2 employees and total wages to be paid; and

3 (iii) the anticipated dates for carrying out the major elements of the
4 film production activity.

5 (3) Except as provided in subsection **[(h)] (I)** of this section, to qualify as a
6 film production entity, the estimated total direct costs incurred in the State must exceed
7 \$250,000.

8 (4) The application shall include any other information required by the
9 Secretary.

10 (5) For a film production entity with total direct costs that exceed \$250,000,
11 the Secretary may require the information provided in an application to be verified by an
12 independent auditor selected and paid for by the film production entity seeking
13 certification.

14 (6) The Secretary shall:

15 (i) determine if the film production entity qualifies for the credit
16 under this section; and

17 (ii) notify the Comptroller of the estimated amount of total direct
18 costs and the taxable year the credit will be claimed.

19 **[(d)] (E)** (1) After completion of the film production activity, a qualified film
20 production entity shall apply to the Department for a tax credit certificate.

21 (2) The application shall be on a form required by the Secretary and shall
22 include:

23 (i) proof of the total direct costs that qualify for the tax credit; and

24 (ii) the number of employees hired and wages paid.

25 (3) Subject to subsections **[(f)] (G)** and **[(h)] (I)** of this section, the Secretary
26 shall determine the total direct costs that qualify for the tax credit and issue a tax credit
27 certificate for:

28 (i) except as provided in item (ii) of this paragraph, 28% of the total
29 direct costs that qualify for the tax credit; and

30 (ii) for a television series, 30% of the total direct costs that qualify
31 for the tax credit.

1 **[(e)] (F)** In accordance with § 2.5–109 of the Economic Development Article, the
2 Department shall submit a report on film production activity in the State and the economic
3 benefits to the State resulting from film production activity during the reporting period.

4 **[(f)] (G)** (1) Except as provided in paragraph (2) of this subsection, the
5 Secretary may not issue tax credit certificates for credit amounts in the aggregate totaling
6 more than:

7 (i) for fiscal year 2014, \$25,000,000;

8 (ii) for fiscal year 2015, \$7,500,000;

9 (iii) for fiscal year 2016, \$7,500,000;

10 (iv) for fiscal year 2019, \$8,000,000;

11 (v) for fiscal year 2020, \$11,000,000;

12 (vi) for fiscal years 2021 through 2023, \$12,000,000;

13 (vii) for fiscal year 2024, \$15,000,000;

14 (viii) for fiscal year 2025, \$17,500,000; and

15 (ix) for fiscal year 2026 and each fiscal year thereafter, \$12,000,000.

16 (2) **(I) [If] SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH,**
17 **IF** the aggregate credit amounts under the tax credit certificates issued by the Secretary
18 total less than the maximum provided under paragraph (1) of this subsection in any fiscal
19 year, any excess amount may be carried forward and issued under tax credit certificates in
20 a subsequent fiscal year.

21 **(II) THE AGGREGATE AMOUNT CARRIED FORWARD FROM ALL**
22 **PRIOR FISCAL YEARS IN ACCORDANCE WITH SUBPARAGRAPH (I) OF THIS**
23 **PARAGRAPH MAY NOT EXCEED \$12,000,000.**

24 (3) The Secretary may not issue tax credit certificates for credit amounts
25 totaling more than \$10,000,000 in the aggregate for a single film production activity.

26 (4) (i) For fiscal year 2019 and each fiscal year thereafter, the Secretary
27 shall make 10% of the credit amount authorized under paragraph (1) of this subsection
28 available for Maryland small or independent film entities.

29 (ii) If the total amount of credits applied for by Maryland small or
30 independent film entities is less than the amount made available under subparagraph (i)

1 of this paragraph, the Secretary shall make available the unused amount of credits for use
2 by qualified film production entities.

3 **[(g)] (H)** (1) Except as provided in paragraph (2) of this subsection, a qualified
4 film production entity that receives a tax credit certificate under this section for a film
5 production activity shall include:

6 (i) for a feature film project, a 5-second long static or animated logo
7 that promotes the State in the end credits before the below-the-line crew crawl for the life
8 of the project and a link to the State's website on the project's website;

9 (ii) for a television series project, an embedded 5-second long static
10 or animated logo that promotes the State during each broadcast worldwide for the life of
11 the project and a link to the State's website on the project's website; or

12 (iii) for any other project, the State logo at the end of each project and
13 in online promotions.

14 (2) In lieu of including a State logo as required under paragraph (1) of this
15 subsection, the qualified film production entity may offer alternative marketing
16 opportunities to be evaluated by the Department to ensure that those opportunities offer
17 equal or greater promotional value to the State.

18 **[(h)] (I)** (1) For a Maryland small or independent film entity to qualify as a
19 film production entity:

20 (i) the estimated total direct costs incurred in the State shall exceed
21 \$25,000; and

22 (ii) at least 50% of the filming of the film production activity must
23 occur within the State.

24 (2) The Secretary shall determine the total direct costs that qualify for the
25 tax credit and issue a tax credit certificate to a Maryland small or independent film entity
26 for 28% of the total direct costs that qualify for the tax credit, not to exceed \$125,000.

27 **[(i)] (J)** The Department and the Comptroller jointly shall adopt regulations to
28 carry out the provisions of this section and to specify criteria and procedures for the
29 application for, approval of, and monitoring of continuing eligibility for the tax credit under
30 this section.

31 10-732.

32 (b) (1) Subject to the limitations of this section, for a taxable year beginning
33 after December 31, 2022, but before January 1, **[2028] 2027**, an individual or a corporation
34 that employs not more than 500 employees may claim credits against the State income tax
35 for:

1 (i) security clearance administrative expenses, not to exceed
2 \$200,000;

3 (ii) expenses incurred for rental payments owed during the first year
4 of a rental agreement for spaces leased in the State if the individual or corporation is a
5 small business that performs security-based contracting, not to exceed \$200,000; and

6 (iii) subject to paragraph (2) of this subsection, construction and
7 equipment costs incurred to construct or renovate a single SCIF in an amount equal to the
8 lesser of 50% of the costs or \$200,000.

9 10-733.1.

10 (d) (3) (i) The total amount of the credit certificates approved by the
11 Secretary of Commerce under this subsection may not exceed:

12 1. for taxable year 2018, \$2,000,000; and

13 2. for taxable [year] YEARS 2019 [and each taxable year
14 thereafter] **THROUGH 2026**, \$4,000,000.

15 (ii) For each taxable year, the Secretary of Commerce shall award
16 25% of the amount of tax credits authorized under subparagraph (i) of this paragraph to
17 qualified buyers that purchase cybersecurity services.

18 **(III) THE SECRETARY OF COMMERCE MAY NOT AWARD TAX**
19 **CREDITS UNDER THIS SUBSECTION FOR A TAXABLE YEAR BEGINNING AFTER**
20 **DECEMBER 31, 2026.**

21 10-734.1.

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

23 (2) "Administration" means the Motor Vehicle Administration.

24 (3) "Qualified vehicle" means a Class F (tractor) vehicle described under §
25 13-923 of the Transportation Article that is titled and registered in the State.

26 (b) Subject to the limitations of this section, an individual or a corporation
27 **HEADQUARTERED IN THE STATE** that obtains a tax credit certificate from the
28 Administration may claim a credit against the State income tax for the expense of
29 registering a qualified vehicle in the State during the taxable year.

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

Article – Tax – General

1

2 [9–315.

3 (a) A licensed dealer or licensed special fuel seller shall deduct 0.5% of the 1st 10
4 cents of the motor fuel tax on each gallon of motor fuel, as a discount:

5 (1) instead of an allowance for evaporation, shrinkage, and handling; and

6 (2) to reimburse the licensed dealer or licensed special fuel seller for
7 expenses incurred for the State in:

8 (i) keeping records;

9 (ii) collecting and paying the tax; and

10 (iii) preparing reports.

11 (b) (1) This subsection does not apply to:

12 (i) any aviation gasoline; or

13 (ii) any other motor fuel on which the motor fuel tax has not been
14 paid.

15 (2) From the discount under subsection (a) of this section:

16 (i) a licensed dealer who sells gasoline to a retail service station
17 dealer shall deduct on the bill 1/2 of the discount;

18 (ii) a licensed dealer who sells gasoline to a licensed distributor or
19 licensed special fuel seller shall deduct on the bill 2/3 of the discount;

20 (iii) a licensed distributor who sells motor fuel to a retail service
21 station dealer shall deduct on the bill 1/3 of the discount;

22 (iv) a licensed special fuel seller who sells special fuel to a retail
23 service station dealer shall deduct on the bill 1/2 of the discount;

24 (v) a licensed special fuel seller who sells special fuel to a licensed
25 distributor shall deduct on the bill 2/3 of the discount; and

26 (vi) a licensed special fuel seller who sells gasoline to a licensed
27 distributor shall deduct on the bill 1/3 of the discount.]

28 11–210.

1 (a) [The sales and use tax does not apply to a sale of:

2 (1) machinery or equipment used to produce bituminous concrete; or

3 (2) electricity, fuel, and other utilities used to operate that machinery or
4 equipment.

5 (b)] The sales and use tax does not apply to a sale of:

6 (1) tangible personal property, a digital code, or a digital product used
7 directly and predominantly in a production activity at any stage of operation on the
8 production activity site from the handling of raw material or components to the movement
9 of the finished product, if the tangible personal property, digital code, or digital product is
10 not installed so that it becomes real property;

11 (2) a melting, smelting, heating, or annealing coke oven, aluminum
12 furnace, anode bake oven, electrolytic pot, cathode, refractory, or other material used in
13 relining and rebuilding a furnace or oven; or

14 (3) a foundation to support other machinery or equipment or an item
15 required to conform to an air or water pollution law and normally considered part of real
16 property.

17 [(c)] (B) The sales and use tax does not apply to a sale of equipment that is used
18 by a retail food vendor to manufacture or process bread or bakery goods for resale if:

19 (1) the taxable price of each piece of equipment is at least \$2,000; and

20 (2) the retail food vendor operates a substantial grocery or market
21 business, as defined in § 11–206(a) of this subtitle, at the same location where the food is
22 sold.

23 [(d)] The sales and use tax does not apply to the sale, on or after January 1, 2000,
24 but before January 1, 2008, of machinery or equipment:

25 (1) that enables a television or radio station to originate and broadcast or
26 to receive and broadcast digital signals; and

27 (2) that was or is purchased to comply with or to facilitate compliance with
28 the Telecommunications Act of 1996, Pub. L. 104–104, 110 Stat. 56.]

29 [(e)] (C) The sales and use tax does not apply to the sale of:

30 (1) machinery or equipment used directly and predominantly to produce
31 Energy Star windows or Energy Star entry doors for residential real property; or

- 1 (ii) 70% in the [9th] 8TH taxable year;
- 2 (iii) 60% in the [10th] 9TH taxable year;
- 3 (iv) 50% in the [11th] 10TH taxable year;
- 4 (v) 40% in the [12th] 11TH taxable year; and
- 5 (vi) 30% in the [13th] 12TH taxable year.

6 (3) FOR NEWLY CONSTRUCTED QUALIFIED PROPERTY THAT
7 PROVIDES BOTH OFFICE AND RETAIL SPACE AND BECAME ELIGIBLE FOR THE
8 CREDIT UNDER THIS SECTION ON OR AFTER JANUARY 1, 2020, BUT BEFORE
9 JANUARY 1, 2021, THE APPROPRIATE GOVERNING BODY SHALL CALCULATE THE
10 AMOUNT OF THE TAX CREDIT UNDER THIS SECTION EQUAL TO A PERCENTAGE OF
11 THE AMOUNT OF PROPERTY TAX IMPOSED ON THE ELIGIBLE ASSESSMENT OF THE
12 QUALIFIED PROPERTY AS FOLLOWS:

13 (I) 80% IN EACH OF THE 1ST 6 TAXABLE YEARS FOLLOWING
14 THE CALENDAR YEAR IN WHICH THE PROPERTY INITIALLY BECOMES A QUALIFIED
15 PROPERTY;

16 (II) 70% IN THE 7TH TAXABLE YEAR;

17 (III) 60% IN THE 8TH TAXABLE YEAR;

18 (IV) 50% IN THE 9TH TAXABLE YEAR;

19 (V) 40% IN THE 10TH TAXABLE YEAR; AND

20 (VI) 30% IN THE 11TH TAXABLE YEAR.

21 [(3)] (4) The Department shall allocate the eligible assessment to the
22 nonresidential part of the qualified property at the same percentage as the square footage
23 of the nonresidential part is to the total square footage of the building.

24 [(4)] (5) For purposes of calculating the amount of the credit allowed
25 under this section, the amount of property tax imposed on the eligible assessment shall be
26 calculated without reduction for any credits allowed under this title.

27 [(5)] (6) For qualified property located in a focus area, the appropriate
28 governing body shall calculate the amount of the tax credit under this section equal to 80%
29 of the amount of property tax imposed on the eligible assessment of the qualified property
30 for each of the 10 taxable years following the calendar year in which the property initially

1 becomes a qualified property:

2 (i) for newly constructed qualified property that provides both office
3 and retail space and became eligible for the credit under this section on or after January 1,
4 2019, but before January 1, 2022, for each of the 13 taxable years following the calendar
5 year in which the property initially becomes a qualified property; or

6 (ii) for any other qualified property, for each of the 10 taxable years
7 following the calendar year in which the property initially becomes a qualified property.

8 **(7) FOR ANY TAXABLE YEAR, THE AMOUNT OF A PROPERTY TAX**
9 **CREDIT GRANTED UNDER THIS SECTION TO A QUALIFIED PROPERTY MAY NOT**
10 **EXCEED \$500,000.**

11 9-230.

12 (b) (1) The Mayor and City Council of Baltimore City or the governing body of
13 a county or of a municipal corporation may enact legislation necessary to grant either
14 property tax credits, enhanced property tax credits, or both types of property tax credits
15 against the county or municipal corporation property tax imposed on real property owned
16 or leased by business entities that meet the requirements specified for the applicable tax
17 credit under this section and on personal property owned by business entities that meet the
18 requirements specified under this section.

19 (2) (i) **[If] FOR TAXABLE YEARS ENDING BEFORE JANUARY 1,**
20 **2027, IF** a property tax credit is granted under paragraph (1) of this subsection, a business
21 entity that meets the requirements for the property tax credit under this section and
22 obtains certification from the county or municipal corporation may claim a State tax credit
23 against the individual or corporate income tax, insurance premiums tax, or financial
24 institution franchise tax as provided under subsection (c)(3) of this section.

25 (ii) **[If] FOR TAXABLE YEARS ENDING BEFORE JANUARY 1,**
26 **2027, IF** an enhanced property tax credit is granted under this section and a business
27 entity and its affiliates meet the requirements for the enhanced property tax credit and
28 obtain certification from the county or municipal corporation, the business entity or any of
29 its affiliates may claim a State tax credit against the individual or corporate income tax,
30 insurance premiums tax, or financial institution franchise tax as provided under subsection
31 (d)(5) of this section.

32 (c) (3) **[On] FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2027, AND**
33 **ON** receipt of notification under subsection (b)(7) of this section that a business entity has
34 been certified for a property tax credit under this subsection, the Department shall compute
35 and certify to the Comptroller or, in the case of the insurance premiums tax, the Maryland
36 Insurance Commissioner the amount of the State tax credit authorized under this
37 subsection that may be claimed against the individual or corporate income tax, insurance
38 premiums tax, or financial institution franchise tax that would otherwise be due to equal a

1 percentage of the amount of property tax imposed on the assessment of the new or expanded
2 premises, as follows:

- 3 (i) 28% in the 1st and 2nd taxable years;
- 4 (ii) 21% in the 3rd and 4th taxable years;
- 5 (iii) 14% in the 5th and 6th taxable years; and
- 6 (iv) 0% for each taxable year thereafter.

7 (d) (5) **[On] FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2027, AND**
8 **ON** receipt of notification under subsection (b)(7) of this section that a business entity has
9 been certified for an enhanced property tax credit under this subsection, the Department
10 shall compute and certify to the Comptroller or, in the case of the insurance premiums tax,
11 the Maryland Insurance Commissioner the amount of the State tax credit authorized under
12 this subsection that may be claimed by the business entity or any of its affiliates against
13 the individual or corporate income tax, insurance premiums tax, or financial institution
14 franchise tax that would otherwise be due to equal 31.5% of the amount of property tax
15 imposed on the increase in assessment of the real and personal property described in
16 paragraph (4)(ii) of this subsection for each of the first 24 taxable years for which the credit
17 is allowed.

18 (m) **(1) On October 1 [of each year], 2027, AND EACH OCTOBER 1**
19 **THEREAFTER**, each county and municipal corporation that has granted tax credits under
20 this section shall report to the Department[, the Department of Commerce, and the
21 Comptroller]:

22 **[(1)] (I) [the amount of] FOR each credit granted for that year, THE**
23 **FOLLOWING INFORMATION:**

- 24 **1. THE AMOUNT OF THE CREDIT;**
- 25 **2. THE NAME AND ADDRESS OF THE BUSINESS ENTITY;**
- 26 **3. THE INVESTMENT ASSOCIATED WITH THE CREDIT;**
- 27 **4. WHETHER THE CREDIT RESULTED FROM AN**
28 **EXPANSION, A RELOCATION, OR A NEW BUSINESS;**
- 29 **5. THE NUMBER OF JOBS ASSOCIATED WITH THE**
30 **CREDIT;**

1 **6. WHETHER THE BUSINESS ENTITY HAD A PRESENCE IN**
2 **THE STATE PRIOR TO RECEIVING THE CREDIT AND THE BUSINESS ENTITY’S YEARS**
3 **OF OPERATION; AND**

4 **7. THE TOTAL NUMBER OF INDIVIDUALS EMPLOYED BY**
5 **THE BUSINESS ENTITY; and**

6 **[(2)] (II)** whether the business entity is in compliance with the
7 requirements for the tax credit.

8 **(2) ON OR BEFORE DECEMBER 31, 2027, AND EACH DECEMBER 31**
9 **THEREAFTER, THE DEPARTMENT SHALL AGGREGATE THE REPORTS RECEIVED**
10 **UNDER PARAGRAPH (1) OF THIS SUBSECTION AND SUBMIT A COMBINED REPORT TO**
11 **THE GENERAL ASSEMBLY, IN ACCORDANCE WITH § 2-1257 OF THE STATE**
12 **GOVERNMENT ARTICLE, INCLUDING ANY FINDINGS OR RECOMMENDATIONS.**

13 SECTION 5. AND BE IT FURTHER ENACTED, That:

14 (a) On or before December 1, 2026, the Department of Commerce shall evaluate
15 the tax credit allowed under § 10-730 of the Tax – General Article, as enacted under Section
16 1 of this Act, and report to the General Assembly, in accordance with § 2-1257 of the State
17 Government Article, on the tax credit.

18 (b) The report under subsection (a) of this section shall include recommendations
19 on how the tax credit could be improved or streamlined, including potential reforms to:

20 (1) the list of eligible production activities;

21 (2) the small or independent film entity eligibility requirements, including
22 hiring requirements, and designated funding levels;

23 (3) the minimum in-State spending requirements for larger film
24 production entities; and

25 (4) the qualifying costs, including whether qualifying costs would be better
26 defined by administrative regulation.

27 SECTION 6. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall be
28 applicable to all taxable years beginning after December 31, 2025.

29 SECTION 7. AND BE IT FURTHER ENACTED, That Section 4 of this Act shall be
30 applicable to all taxable years beginning after June 30, 2026.

31 SECTION 8. AND BE IT FURTHER ENACTED, That Sections 2 and 3 of this Act
32 shall take effect July 1, 2026.

1 SECTION 9. AND BE IT FURTHER ENACTED, That, except as provided in Section
2 8 of this Act, this Act shall take effect June 1, 2026.