



Larry Hogan | Governor
Boyd Rutherford | Lt. Governor
Kelly M. Schulz | Secretary of Commerce

DATE: January 20, 2020 **COMMITTEE:** Senate Finance
BILL NO: Senate Bill 256
BILL TITLE: Arts and Entertainment Districts – Artistic Work and Arts and Entertainment Enterprise – Definitions
POSITION: Support

The Maryland Department of Commerce supports Senate Bill 256 – Arts and Entertainment Districts – Artistic Work and Arts and Entertainment Enterprise – Definitions.

Bill Summary:

SB 256 alters the existing definitions for “Artistic Work” and “Arts and Entertainment Enterprise” for the purposes of the Art and Entertainment (A&E) Districts program by (1) updating the terminology used to define artistic work, and (2) clarifying the activities of an arts and entertainment enterprise.

Background:

Established through legislation in 2001, Maryland’s A&E Districts program helps develop, promote, and support diverse artistic and cultural centers in communities throughout Maryland that preserve a sense of place, provide unique local experiences, attract tourism, and spur economic revitalization and neighborhood pride. The Maryland State Arts Council (MSAC), within the Department of Commerce, administers the A&E Districts program, supporting designated districts to meet local revitalization and economic development goals. Activities of the districts include:

- promoting the available tax incentives (a state income tax subtraction modification for artists who work and sell in districts and the opportunity for local property tax incentives and abatement of the admissions and amusement tax),
- attracting new businesses and investment,
- leveraging a district’s unique identity to attract tourism, and
- increasing arts activity.

Currently, there are 29 districts in 19 counties and Baltimore City. In FY19, new businesses and events in 26 districts supported more than 1,600 FTE jobs, contributed over \$155 million to the state’s GDP, and generated \$12.4 million in state and local taxes.ⁱ Maryland was one of the first states to enact an arts or cultural district designation program through legislation. Now, 15 states administer similar statewide certification or designation programs, and Maryland’s A&E Districts program’s successes – particularly the program’s tax incentives, economic impact, and the strength of its rural districts – are cited as examples for other states considering arts as a tool for economic development and quality of life improvementⁱⁱ.

Rationale:

MSAC staff collected feedback over a period of more than two years from constituents, district managers, and the public to inform program development and understand how better to support districts in achieving their goals. The process included site visits to each district, several meetings with district managers, a public listening session, and meetings with interested constituents to develop specific recommendations. One outcome of the process was the recommendation to revise definitions within the A&E District statute for clarity and update terminology to be consistent with the way artists make work.

The revisions of the “Artistic Work” and “Arts & Entertainment Enterprise” definitions are intended to:

- provide clarity to Maryland artists and arts and entertainment enterprises about the applicability of the program,
- increase the ability of MSAC and Commerce employees to effectively communicate the program’s benefits, and
- ultimately help local governments see progress toward economic development goals through the generation of arts activity and investment within A&E districts across the state.

The revisions clarify (but do not alter) who and what entities are eligible for the state’s income tax subtraction modification as well as local property tax credits and the abatement of the admission and amusement tax. The clarity may mean that more landowners, artists, and businesses take advantage of the credits made available through the legislation and agreed to by local governments that have received designation, however, A&E Districts program staff believe that the actual impact will be minimal and the benefits from the increased arts activity, as discussed above, will outweigh any negative fiscal impacts.

The Maryland Department of Commerce respectfully requests a favorable report on Senate Bill 256.

ⁱ FY219 Maryland Arts and Entertainment District Economic and Tax Impact Analysis, Regional Economic Impact Studies Institute, Towson University (June 2020)

ⁱⁱ Rural Prosperity Through the Arts and Creative Sector: A Rural Action Guide for Governors and States, National Governor’s Association (January 2019)