

# HOUSE BILL 148

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By: **Delegate Palakovich Carr**

Introduced and read first time: January 16, 2023

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 altering the circumstances under which the Secretary of Commerce  
4 may designate an area as an enterprise zone or a focus area; prohibiting the  
5 Secretary from designating a new enterprise zone or granting an expansion or  
6 extraordinary expansion of an existing enterprise zone under certain circumstances;  
7 limiting the amount of a certain credit against the State income tax that may be  
8 claimed by a business entity each taxable year; limiting the total amount of credits  
9 against the State income tax that certain business entities may claim each taxable  
10 year; providing that, for any taxable year, the amount of a certain credit against the  
11 property tax imposed on certain qualified property may not exceed a certain amount;  
12 providing for the termination of the Enterprise Zone Program and, except under  
13 certain circumstances, eligibility for certain tax credits provided under the Program;  
14 and generally relating to the Enterprise Zone Program.

15 BY repealing and reenacting, without amendments,  
16 Article – Economic Development  
17 Section 5–704(a)(1) and 5–707(a)  
18 Annotated Code of Maryland  
19 (2018 Replacement Volume and 2022 Supplement)

20 BY repealing and reenacting, with amendments,  
21 Article – Economic Development  
22 Section 5–704(a)(2) and (b), 5–705, 5–706, and 5–707(d)  
23 Annotated Code of Maryland  
24 (2018 Replacement Volume and 2022 Supplement)

25 BY adding to  
26 Article – Economic Development  
27 Section 5–710  
28 Annotated Code of Maryland

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (2018 Replacement Volume and 2022 Supplement)

2 BY repealing and reenacting, with amendments,  
3 Article – Tax – General  
4 Section 10–702(b), (f), and (g)  
5 Annotated Code of Maryland  
6 (2022 Replacement Volume)

7 BY adding to  
8 Article – Tax – General  
9 Section 10–702(f)  
10 Annotated Code of Maryland  
11 (2022 Replacement Volume)

12 BY repealing and reenacting, without amendments,  
13 Article – Tax – Property  
14 Section 9–103(b)(1)  
15 Annotated Code of Maryland  
16 (2019 Replacement Volume and 2022 Supplement)

17 BY repealing and reenacting, with amendments,  
18 Article – Tax – Property  
19 Section 9–103(d)  
20 Annotated Code of Maryland  
21 (2019 Replacement Volume and 2022 Supplement)

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

24 **Article – Economic Development**

25 5–704.

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

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

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

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

35 (i) the average rate of unemployment in **EACH CENSUS TRACT**

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

5 (ii) the population in **EACH CENSUS TRACT WITHIN** the area, or  
6 within a reasonable proximity to the area but in the same county **IF FEWER THAN 1,500**  
7 **INDIVIDUALS RESIDE IN THE CENSUS TRACT**, qualifies the area as a low-income poverty  
8 area;

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

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

19 1. chronic abandonment or demolition of property is  
20 occurring in the area; or

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

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

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

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

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

34 [(4)] (5) A county may not receive more than two enterprise zones in a  
35 calendar year.

1 5-705.

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

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

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

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

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

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

15 (i) meets the requirements of § 5-704 of this subtitle; and

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

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

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

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

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

30 5-706.

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

1 (1) 5 years; or

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

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

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

8 (1) the average unemployment rate in **EACH CENSUS TRACT WITHIN** the  
9 area, or within a reasonable proximity to the area but in the same county **IF FEWER THAN**  
10 **1,500 INDIVIDUALS RESIDE IN THE CENSUS TRACT**, for the most recent 18-month  
11 period for which data are available is at least 150% of the greater of the average rate of  
12 unemployment in either the State or the United States during that same period;

13 (2) the population in **EACH CENSUS TRACT WITHIN** the area, or within a  
14 reasonable proximity to the area but in the same county **IF FEWER THAN 1,500**  
15 **INDIVIDUALS RESIDE IN THE CENSUS TRACT**, has an incidence of poverty that is at least  
16 150% of the national average;

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

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

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

32 5-707.

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

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

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

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

4 (d) (1) Except as provided in § 10–702 of the Tax – General Article and §  
5 9–103 of the Tax – Property Article, the incentives and initiatives set forth in this section  
6 are available for 10 years after the date that an area is designated an enterprise zone.

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

10 (II) **A BUSINESS ENTITY THAT LOCATES IN AN ENTERPRISE**  
11 **ZONE BEFORE THE TERMINATION DATE OF THIS SUBTITLE PROVIDED UNDER §**  
12 **5–710 OF THIS SUBTITLE REMAINS ELIGIBLE FOR THE BENEFITS AVAILABLE TO A**  
13 **BUSINESS ENTITY UNDER THIS SECTION, PROVIDED THAT THE BUSINESS ENTITY**  
14 **MEETS THE REQUIREMENTS AND CONDITIONS OF THE CODE SECTION APPLICABLE**  
15 **TO THE BENEFIT.**

16 **5–710.**

17 **THIS SUBTITLE AND, EXCEPT AS PROVIDED IN § 5–707(D)(2) OF THIS**  
18 **SUBTITLE, ELIGIBILITY FOR THE TAX CREDITS PROVIDED UNDER § 5–707(A) OF THIS**  
19 **SUBTITLE SHALL TERMINATE ON JANUARY 1, 2031.**

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

22 **Article – Tax – General**

23 10–702.

24 (b) (1) **[Any] SUBJECT TO THE LIMITATIONS OF THIS SECTION, ANY**  
25 **business entity that is located in an enterprise zone and satisfies the requirements of §**  
26 **5–707 of the Economic Development Article may claim a credit only against the State**  
27 **income tax for the wages specified in subsections (c) and (d) of this section that are paid in**  
28 **the taxable year for which the entity claims the credit.**

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

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

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

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

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

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

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

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

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

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

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

22                                   **Article – Tax – Property**

23 9-103.

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

27           (d) (1) Except as provided in paragraph (2) of this subsection **AND SUBJECT**  
28 **TO THE LIMITATION UNDER PARAGRAPH (6) OF THIS SUBSECTION**, the appropriate  
29 governing body shall calculate the amount of the tax credit under this section equal to a  
30 percentage of the amount of property tax imposed on the eligible assessment of the qualified  
31 property, as follows:

32                   (i) 80% in each of the 1st 5 taxable years following the calendar year

1 in which the property initially becomes a qualified property;

2 (ii) 70% in the 6th taxable year;

3 (iii) 60% in the 7th taxable year;

4 (iv) 50% in the 8th taxable year;

5 (v) 40% in the 9th taxable year; and

6 (vi) 30% in the 10th taxable year.

7 (2) For newly constructed qualified property that provides both office and  
8 retail space and became eligible for the credit under this section on or after January 1,  
9 2019, but before January 1, 2022, the appropriate governing body shall calculate the  
10 amount of the tax credit under this section equal to a percentage of the amount of property  
11 tax imposed on the eligible assessment of the qualified property as follows:

12 (i) 80% in each of the 1st 8 taxable years following the calendar year  
13 in which the property initially becomes a qualified property;

14 (ii) 70% in the 9th taxable year;

15 (iii) 60% in the 10th taxable year;

16 (iv) 50% in the 11th taxable year;

17 (v) 40% in the 12th taxable year; and

18 (vi) 30% in the 13th taxable year.

19 (3) The Department shall allocate the eligible assessment to the  
20 nonresidential part of the qualified property at the same percentage as the square footage  
21 of the nonresidential part is to the total square footage of the building.

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

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

30 (i) for newly constructed qualified property that provides both office  
31 and retail space and became eligible for the credit under this section on or after January 1,



1 2019, but before January 1, 2022, for each of the 13 taxable years following the calendar  
2 year in which the property initially becomes a qualified property; or

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

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

8 SECTION 4. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall be  
9 applicable to all taxable years beginning after December 31, 2022.

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, 2023.

12 SECTION 6. AND BE IT FURTHER ENACTED, That this Act shall take effect June  
13 1, 2023.