

# SENATE BILL 810

C8, Q3, Q2

8lr1817  
CF HB 1208

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By: **Senators Zucker, Ferguson, Benson, DeGrange, Feldman, Guzzone, Jennings, Kasemeyer, King, Miller, Oaks, Peters, Robinson, Serafini, Simonaire, and Smith**

Introduced and read first time: February 5, 2018  
Assigned to: Budget and Taxation

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Committee Report: Favorable  
Senate action: Adopted  
Read second time: March 16, 2018

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Job Reinvestment Act of 2018**

3 FOR the purpose of allowing a credit against the State income tax for certain small business  
4 entities located in an enterprise zone or a Regional Institution Strategic Enterprise  
5 (RISE) zone; allowing a small business entity to qualify for the credit if the small  
6 business hired or retained a certain number of new employees under certain  
7 circumstances; allowing a small business entity to apply the credit against the  
8 required payment of certain taxes to the Comptroller; providing for the calculation  
9 of the credit; providing that the credit may not be claimed for more than a certain  
10 number of years; providing that the amount of the credit may not exceed the State  
11 income tax for that taxable year; authorizing a small business entity to apply any  
12 excess amount of the credit against the State income tax for succeeding taxable  
13 years; requiring the Department of Commerce, on application of a small business  
14 entity, to issue a tax credit certificate under certain circumstances; requiring the  
15 application to contain certain information; requiring the Department to approve  
16 applications on a first-come, first-served basis and notify applicants of approval or  
17 denial of an application within a certain number of days after receipt of the  
18 application; requiring the Department to issue certain tax credit certificates;  
19 providing that the total amount of tax credit certificates issued by the Department  
20 may not exceed a certain amount for each taxable year; requiring the Department to  
21 report certain information to the Comptroller on or before a certain date each year;  
22 altering the definition of “qualified property” for purposes of a certain property tax  
23 credit on a certain assessment of certain property located in a RISE zone so as to

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**EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.**

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 include certain personal property; defining certain terms; providing for the effective  
2 dates of this Act; providing for the application of this Act; and generally relating to  
3 the Enterprise Zone Program and the Regional Institution Strategic Enterprise Zone  
4 Program.

5 BY repealing and reenacting, with amendments,  
6 Article – Economic Development  
7 Section 5–707(a), (c), and (d)(1) and 5–1406(a) and (d)  
8 Annotated Code of Maryland  
9 (2008 Volume and 2017 Supplement)

10 BY repealing and reenacting, without amendments,  
11 Article – Economic Development  
12 Section 5–1406(c)  
13 Annotated Code of Maryland  
14 (2008 Volume and 2017 Supplement)

15 BY adding to  
16 Article – Tax – General  
17 Section 10–746  
18 Annotated Code of Maryland  
19 (2016 Replacement Volume and 2017 Supplement)

20 BY repealing and reenacting, without amendments,  
21 Article – Tax – Property  
22 Section 9–103.1(a)(1) and (b)  
23 Annotated Code of Maryland  
24 (2012 Replacement Volume and 2017 Supplement)

25 BY repealing and reenacting, with amendments,  
26 Article – Tax – Property  
27 Section 9–103.1(a)(6)  
28 Annotated Code of Maryland  
29 (2012 Replacement Volume and 2017 Supplement)

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

32 **Article – Economic Development**

33 5–707.

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

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

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

1                   (3)    **THE INCOME TAX CREDITS IN § 10-746 OF THE TAX – GENERAL**  
2 **ARTICLE; AND**

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

5           (c)    (1)    [The] **EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS**  
6 **SUBSECTION, THE** incentives and initiatives provided for in this section are not available  
7 to a business entity that:

8                   [(1)] (I)    was in an enterprise zone before the date that the enterprise zone  
9 is designated, except for a capital investment or expansion of its labor force that occurs on  
10 or after the enterprise zone is designated; or

11                   [(2)] (II) is located in an enterprise zone that was designated under  
12 federal law unless the Secretary and the Board of Public Works consent to the designation.

13                   (2)    **SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION, A BUSINESS**  
14 **ENTITY MAY QUALIFY FOR THE INCOME TAX CREDIT UNDER § 10-746 OF THE TAX –**  
15 **GENERAL ARTICLE:**

16                   (I)    **REGARDLESS OF WHETHER THE BUSINESS ENTITY WAS IN**  
17 **THE ENTERPRISE ZONE BEFORE THE DATE THAT THE ZONE WAS DESIGNATED; AND**

18                   (II)   **IF, AFTER THE ENTERPRISE ZONE WAS DESIGNATED, THE**  
19 **BUSINESS ENTITY HIRED AND RETAINED AT LEAST ONE NEW EMPLOYEE FOR AT**  
20 **LEAST 6 MONTHS BEFORE OR DURING THE TAXABLE YEAR FOR WHICH THE ENTITY**  
21 **CLAIMS THE CREDIT.**

22                   (3)    **A BUSINESS ENTITY MAY QUALIFY FOR THE INCOME TAX CREDIT**  
23 **UNDER § 10-746 OF THE TAX – GENERAL ARTICLE FOR EACH EMPLOYEE WHO IS**  
24 **HIRED THAT RESULTS IN A NET INCREASE IN THE NUMBER OF EMPLOYEES HIRED**  
25 **AND RETAINED BY THE BUSINESS ENTITY AFTER THE ENTERPRISE ZONE WAS**  
26 **DESIGNATED.**

27           (d)    (1)    Except as provided in [§ 10-702] **§§ 10-702 AND 10-746** of the Tax –  
28 General Article and § 9-103 of the Tax – Property Article, the incentives and initiatives set  
29 forth in this section are available for 10 years after the date that an area is designated an  
30 enterprise zone.

31 5-1406.

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

1 (i) the property tax credit under § 9–103.1 of the Tax – Property  
2 Article;

3 (ii) the income tax credit under § 10–702 of the Tax – General  
4 Article; [and]

5 (iii) **THE INCOME TAX CREDIT UNDER § 10–746 OF THE**  
6 **TAX – GENERAL ARTICLE; AND**

7 **(IV)** priority consideration for financial assistance from programs in  
8 Subtitle 1 of this title.

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

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

15 (d) (1) **[Unless] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS**  
16 **SUBSECTION, UNLESS** a business entity makes a significant capital investment or  
17 expansion of its labor force after a RISE zone is designated, the incentives under this  
18 section are not available to a business entity that was in a RISE zone before the date that  
19 the zone is designated.

20 **(2) SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION, A BUSINESS**  
21 **ENTITY MAY QUALIFY FOR THE INCOME TAX CREDIT UNDER § 10–746 OF THE TAX –**  
22 **GENERAL ARTICLE:**

23 **(I) REGARDLESS OF WHETHER THE BUSINESS ENTITY WAS IN**  
24 **THE RISE ZONE BEFORE THE DATE THAT THE ZONE WAS DESIGNATED; AND**

25 **(II) IF, AFTER THE RISE ZONE WAS DESIGNATED, THE**  
26 **BUSINESS ENTITY HIRED AND RETAINED AT LEAST ONE NEW EMPLOYEE FOR AT**  
27 **LEAST 6 MONTHS BEFORE OR DURING THE TAXABLE YEAR FOR WHICH THE ENTITY**  
28 **CLAIMS THE CREDIT.**

29 **(3) A BUSINESS ENTITY MAY QUALIFY FOR THE INCOME TAX CREDIT**  
30 **UNDER § 10–746 OF THE TAX – GENERAL ARTICLE FOR EACH EMPLOYEE WHO IS**  
31 **HIRED THAT RESULTS IN A NET INCREASE IN THE NUMBER OF EMPLOYEES HIRED**  
32 **AND RETAINED BY THE BUSINESS ENTITY AFTER THE RISE ZONE WAS DESIGNATED.**

33 **[(2)] (4)** The Department shall adopt regulations establishing factors to

1 determine if a business entity makes a significant capital investment or expansion of its  
2 labor force under paragraph (1) of this subsection.

3 **Article – Tax – General**

4 **10–746.**

5 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
6 INDICATED.

7 (2) “DEPARTMENT” MEANS THE DEPARTMENT OF COMMERCE.

8 (3) “ENTERPRISE ZONE” HAS THE MEANING STATED IN § 5–701 OF  
9 THE ECONOMIC DEVELOPMENT ARTICLE.

10 (4) “RISE ZONE” HAS THE MEANING STATED IN § 5–1401 OF THE  
11 ECONOMIC DEVELOPMENT ARTICLE.

12 (5) (I) “SMALL BUSINESS ENTITY” MEANS:

13 1. A PERSON CONDUCTING OR OPERATING A TRADE OR  
14 BUSINESS THAT EMPLOYS 25 OR FEWER EMPLOYEES; OR

15 2. AN ORGANIZATION THAT:

16 A. IS EXEMPT FROM TAXATION UNDER § 501(C)(3) OR (4)  
17 OF THE INTERNAL REVENUE CODE; AND

18 B. EMPLOYS 25 OR FEWER EMPLOYEES.

19 (II) “SMALL BUSINESS ENTITY” DOES NOT INCLUDE A PERSON  
20 OWNING, OPERATING, DEVELOPING, CONSTRUCTING, OR REHABILITATING  
21 PROPERTY INTENDED FOR USE PRIMARILY AS SINGLE OR MULTIFAMILY  
22 RESIDENTIAL PROPERTY LOCATED WITHIN AN ENTERPRISE ZONE OR A RISE ZONE.

23 (B) (1) SUBJECT TO THE LIMITATIONS OF THIS SECTION, A SMALL  
24 BUSINESS ENTITY THAT IS LOCATED IN AN ENTERPRISE ZONE OR A RISE ZONE MAY  
25 CLAIM A CREDIT AGAINST THE STATE INCOME TAX IN THE AMOUNT STATED ON THE  
26 TAX CREDIT CERTIFICATE ISSUED UNDER SUBSECTION (F) OF THIS SECTION.

27 (2) THE SMALL BUSINESS ENTITY MAY APPLY THE CREDIT UNDER  
28 THIS SECTION AS A CREDIT FOR THE PAYMENT TO THE COMPTROLLER OF TAXES  
29 THAT THE SMALL BUSINESS ENTITY:

30 (I) IS REQUIRED TO WITHHOLD FROM THE WAGES OF

1 EMPLOYEES UNDER § 10-908 OF THIS TITLE; AND

2 (II) IS REQUIRED TO PAY TO THE COMPTROLLER UNDER §  
3 10-906(A) OF THIS TITLE.

4 (C) THE CREDIT ALLOWED UNDER THIS SECTION SHALL EQUAL, WITH  
5 RESPECT TO THE WAGES OF EMPLOYEES WHO WORK IN THE ENTERPRISE ZONE OR  
6 RISE ZONE AND WHOSE EARNINGS EXCEED THE STATE MEDIAN INCOME FOR THE  
7 PRECEDING TAXABLE YEAR:

8 (1) FOR THE FIRST TAXABLE YEAR IN WHICH THE CREDIT IS CLAIMED,  
9 5% OF THE AMOUNT THAT THE SMALL BUSINESS ENTITY IS REQUIRED TO WITHHOLD  
10 FROM THE WAGES OF THOSE EMPLOYEES;

11 (2) FOR THE SECOND TAXABLE YEAR IN WHICH THE CREDIT IS  
12 CLAIMED, 4% OF THE AMOUNT THAT THE SMALL BUSINESS ENTITY IS REQUIRED TO  
13 WITHHOLD FROM THE WAGES OF THOSE EMPLOYEES;

14 (3) FOR THE THIRD TAXABLE YEAR IN WHICH THE CREDIT IS  
15 CLAIMED, 3% OF THE AMOUNT THAT THE SMALL BUSINESS ENTITY IS REQUIRED TO  
16 WITHHOLD FROM THE WAGES OF THOSE EMPLOYEES;

17 (4) FOR THE FOURTH TAXABLE YEAR IN WHICH THE CREDIT IS  
18 CLAIMED, 2% OF THE AMOUNT THAT THE SMALL BUSINESS ENTITY IS REQUIRED TO  
19 WITHHOLD FROM THE WAGES OF THOSE EMPLOYEES; AND

20 (5) FOR THE FIFTH TAXABLE YEAR IN WHICH THE CREDIT IS CLAIMED,  
21 1% OF THE AMOUNT THAT THE SMALL BUSINESS ENTITY IS REQUIRED TO WITHHOLD  
22 FROM THE WAGES OF THOSE EMPLOYEES.

23 (D) A SMALL BUSINESS ENTITY MAY NOT CLAIM THE CREDIT ALLOWED  
24 UNDER THIS SECTION FOR MORE THAN 5 TAXABLE YEARS.

25 (E) (1) THE TOTAL AMOUNT OF THE CREDIT ALLOWED UNDER THIS  
26 SECTION FOR ANY TAXABLE YEAR MAY NOT EXCEED THE STATE INCOME TAX  
27 IMPOSED FOR THAT TAXABLE YEAR.

28 (2) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE  
29 YEAR EXCEEDS THE STATE INCOME TAX FOR THAT TAXABLE YEAR, A SMALL  
30 BUSINESS ENTITY MAY APPLY THE EXCESS AS A CREDIT AGAINST THE STATE INCOME  
31 TAX FOR SUCCEEDING TAXABLE YEARS UNTIL THE FULL AMOUNT OF THE EXCESS IS  
32 USED.

33 (F) (1) ON OR BEFORE SEPTEMBER 15 OF THE CALENDAR YEAR

1 FOLLOWING THE END OF THE YEAR FOR WHICH THE SMALL BUSINESS ENTITY  
2 QUALIFIED FOR THE CREDIT UNDER THIS SECTION, THE SMALL BUSINESS ENTITY  
3 SHALL SUBMIT AN APPLICATION TO THE DEPARTMENT FOR THE CREDIT ALLOWED  
4 UNDER SUBSECTION (B) OF THIS SECTION.

5 (2) THE APPLICATION SHALL INCLUDE:

6 (I) THE NAME OF THE SMALL BUSINESS ENTITY;

7 (II) INFORMATION IDENTIFYING THE NAMES AND SALARIES OF  
8 THE EMPLOYEES WHO WORK IN AN ENTERPRISE ZONE OR A RISE ZONE AND WHOSE  
9 EARNINGS EXCEED THE STATE MEDIAN INCOME FOR THE PRECEDING TAXABLE  
10 YEAR;

11 (III) PROOF OF THE WAGES PAID TO THOSE EMPLOYEES; AND

12 (IV) ANY OTHER INFORMATION THAT THE DEPARTMENT  
13 REQUIRES.

14 (3) FOR EACH TAXABLE YEAR, THE DEPARTMENT MAY NOT ISSUE TAX  
15 CREDIT CERTIFICATES UNDER THIS SECTION THAT IN THE AGGREGATE EXCEED  
16 \$1,000,000.

17 (4) THE DEPARTMENT SHALL:

18 (I) APPROVE ALL APPLICATIONS THAT QUALIFY FOR A TAX  
19 CREDIT CERTIFICATE UNDER THIS SUBSECTION ON A FIRST-COME, FIRST-SERVED  
20 BASIS; AND

21 (II) WITHIN 90 DAYS AFTER THE RECEIPT OF THE APPLICATION:

22 1. NOTIFY THE SMALL BUSINESS ENTITY OF THE  
23 DEPARTMENT'S APPROVAL OR DENIAL; AND

24 2. IF THE DEPARTMENT APPROVES THE APPLICATION,  
25 ISSUE THE SMALL BUSINESS ENTITY A TAX CREDIT CERTIFICATE.

26 (G) ON OR BEFORE JANUARY 31 OF EACH TAXABLE YEAR, THE  
27 DEPARTMENT SHALL REPORT TO THE COMPTROLLER ON THE TAX CREDIT  
28 CERTIFICATES ISSUED UNDER THIS SECTION DURING THE PRIOR TAXABLE YEAR.

29 (H) THE DEPARTMENT SHALL ADOPT REGULATIONS TO:

1           **(1) IMPLEMENT THE PROVISIONS OF THIS SECTION; AND**

2           **(2) SPECIFY CRITERIA AND PROCEDURES FOR APPLICATION FOR,**  
3 **APPROVAL OF, AND MONITORING CONTINUING ELIGIBILITY FOR THE TAX CREDIT**  
4 **UNDER THIS SECTION.**

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

7   **Article – Tax – Property**

8 9–103.1.

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

10           (6)   **(I)**   “Qualified property” means real property that is:

11                           [(i)]   **1.**   not used for residential purposes;

12                           [(ii)]   **2.**   used in a trade or business by a business entity; and

13                           [(iii)]   **3.**   located in a Regional Institution Strategic Enterprise zone  
14 that is designated under Title 5, Subtitle 14 of the Economic Development Article.

15                           **(II) “QUALIFIED PROPERTY” INCLUDES PERSONAL PROPERTY**  
16 **ON REAL PROPERTY THAT IS LOCATED IN A FOCUS AREA AS DEFINED IN § 5–701 OF**  
17 **THE ECONOMIC DEVELOPMENT ARTICLE.**

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

21           SECTION 3. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall take  
22 effect June 1, 2018, and shall be applicable to all taxable years beginning after June 30,  
23 2018.

24           SECTION 4. AND BE IT FURTHER ENACTED, That, except as provided in Section  
25 3 of this Act, this Act shall take effect July 1, 2018, and shall be applicable to all taxable  
26 years beginning after December 31, 2017.