

HOUSE BILL 1047

Q3, C8

5lr0774

By: **Delegates Smith, Anderson, Angel, D. Barnes, Barron, Brooks, Carr, Fennell, Hixson, C. Howard, Jackson, Jalisi, Luedtke, McCray, Metzgar, Moon, Morales, Patterson, Pena–Melnyk, Platt, Reznik, Simonaire, Tarlau, Turner, Valderrama, Waldstreicher, A. Washington, M. Washington, and C. Wilson**

Introduced and read first time: February 13, 2015

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Enterprise Zone Income Tax Credit – Economically Disadvantaged Individuals –**
3 **Qualified Ex–Felons**

4 FOR the purpose of altering the definition of “economically disadvantaged individual” to
5 include certain qualified ex–felons for purposes of the State income tax credit
6 authorized for certain business entities that hire certain economically disadvantaged
7 individuals in certain enterprise zones; defining a certain term; providing for the
8 application of this Act; and generally relating to a State income tax credit for
9 business entities hiring certain economically disadvantaged individuals in certain
10 enterprise zones.

11 BY repealing and reenacting, with amendments,
12 Article – Tax – General
13 Section 10–702(a)
14 Annotated Code of Maryland
15 (2010 Replacement Volume and 2014 Supplement)

16 BY repealing and reenacting, without amendments,
17 Article – Tax – General
18 Section 10–702(c), (d), and (e)
19 Annotated Code of Maryland
20 (2010 Replacement Volume and 2014 Supplement)

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

23 **Article – Tax – General**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 10-702.

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

3 (2) (i) “Business entity” means:

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

5 2. an organization that is exempt from taxation under §
6 501(c)(3) or (4) of the Internal Revenue Code.

7 (ii) “Business entity” does not include a person owning, operating,
8 developing, constructing, or rehabilitating property intended for use primarily as single or
9 multifamily residential property located within the enterprise zone.

10 (3) (i) “Enterprise zone” has the meaning stated in § 5-701 of the
11 Economic Development Article.

12 (ii) “Enterprise zone” includes a Regional Institution Strategic
13 Enterprise zone established under Title 5, Subtitle 14 of the Economic Development Article.

14 (4) “Qualified employee” means an individual who:

15 (i) is a new employee or an employee rehired after being laid off for
16 more than one year by a business entity;

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

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

22 (iv) earns at least 150% of the federal minimum wage; and

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

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

25 2. the date on which the business entity locates in the
26 enterprise zone.

27 (5) (I) “Economically disadvantaged individual” means an individual
28 who is certified by provisions that the Department of Labor, Licensing, and Regulation
29 adopts as an individual who, before becoming employed by a business entity in an
30 enterprise zone:

1 [(i)] 1. was both unemployed for at least 30 consecutive days and
2 qualified to participate in training activities for the economically disadvantaged under Title
3 II, Part B of the federal Workforce Investment Act or its successor; or

4 [(ii)] 2. in the absence of an applicable federal act, met the criteria
5 for an economically disadvantaged individual that the Secretary of Labor, Licensing, and
6 Regulation sets.

7 (II) **“ECONOMICALLY DISADVANTAGED INDIVIDUAL” INCLUDES**
8 **A QUALIFIED EX-FELON.**

9 (6) “Focus area” has the meaning stated in § 5–701 of the Economic
10 Development Article.

11 (7) “Focus area employee” means an individual who:

12 (i) is a new employee or an employee rehired after being laid off for
13 more than 1 year by a business entity;

14 (ii) is employed by a business entity at least 35 hours each week for
15 at least 12 months before or during the taxable year for which the entity claims a credit;

16 (iii) spends at least 50 percent of the hours under item (ii) of this
17 paragraph either in the focus area or on activities of the business entity resulting directly
18 from its location in the focus area;

19 (iv) is hired by the business entity after the later of:

20 1. the date on which the focus area is designated; or

21 2. the date on which the business entity located in the focus
22 area; and

23 (v) earns at least 150 percent of the federal minimum wage.

24 (8) (I) **“QUALIFIED EX-FELON” HAS THE MEANING STATED IN §**
25 **51(D)(4) OF THE INTERNAL REVENUE CODE.**

26 (II) **“QUALIFIED EX-FELON” DOES NOT INCLUDE:**

27 1. **AN INDIVIDUAL WHO IS THE SPOUSE OF, OR HAS ANY**
28 **RELATIONSHIP SPECIFIED IN § 152 OF THE INTERNAL REVENUE CODE TO, A**
29 **PERSON WHO CONTROLS, DIRECTLY OR INDIRECTLY, MORE THAN 50% OF THE**
30 **OWNERSHIP OF THE BUSINESS ENTITY THAT EMPLOYS THE EX-FELON;**

1 **2. AN INDIVIDUAL WHO IS REQUIRED TO REGISTER**
2 **UNDER TITLE 11, SUBTITLE 8 OF THE CRIMINAL PROCEDURE ARTICLE; OR**

3 **3. AN INDIVIDUAL THAT IS CONVICTED OF MORE THAN**
4 **ONE FELONY UNDER ANY STATUTE OF THIS STATE, THE UNITED STATES, OR ANY**
5 **STATE.**

6 (c) If a business entity does not claim an enhanced tax credit under subsection (e)
7 of this section for a focus area employee, for the taxable year in which a business entity
8 satisfies the requirements of § 5-707 or § 5-1406 of the Economic Development Article, a
9 credit is allowed that equals:

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

11 (i) is an economically disadvantaged individual; and

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

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

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

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

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

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

23 1. is an economically disadvantaged individual;

24 2. became a qualified 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 or any of the 3 preceding taxable years;

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

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

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

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

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

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

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

20 1. is an economically disadvantaged individual; and

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

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

24 1. is not an economically disadvantaged individual; and

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

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

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

30 1. is an economically disadvantaged individual;

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

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

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

7 (iii) up to \$1,500 of the wages paid to each focus area employee who
8 is not hired to replace an individual whom the business entity employed in that year or any
9 of the 3 preceding taxable years if the focus area employee:

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

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

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

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

17 (3) A business entity that hires a focus area employee to replace another
18 focus area employee for whom the business entity received a credit under paragraph (1)(i)
19 of this subsection and paragraph (2)(ii) of this subsection in the immediately preceding
20 taxable year may treat the focus area employee as the replacement for the other focus area
21 employee to determine any credit that may be available to the business entity under
22 paragraph (2)(ii) or (iii) of this subsection.

23 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
24 1, 2015, and shall be applicable to all taxable years beginning after December 31, 2014.