

HOUSE BILL 478

C8
HB 805/21 – W&M

2lr1470

By: **Delegate Palakovich Carr**

Introduced and read first time: January 21, 2022

Assigned to: Ways and Means

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 13, 2022

CHAPTER _____

1 AN ACT concerning

2 **Economic Development – Enterprise Zone Program – Alterations**

3 FOR the purpose of establishing the purpose of the Enterprise Zone Program; ~~altering the~~
4 ~~circumstances under which the Secretary of Commerce may designate an area as an~~
5 ~~enterprise zone or a focus area; prohibiting the Secretary from designating a new~~
6 ~~enterprise zone or granting an expansion of an existing enterprise zone under certain~~
7 ~~circumstances;~~ altering a certain limitation on the expansion of an existing
8 enterprise zone during a single calendar year; altering the circumstances under
9 which the Secretary may grant an extraordinary expansion of an enterprise zone;
10 altering the State agencies responsible for assessing the effectiveness of certain tax
11 credits provided to certain business entities in enterprise zones; requiring the State
12 Department of Assessments and Taxation and the Comptroller to submit to the
13 Department of Commerce a certain report; requiring each county within which an
14 enterprise zone is located to submit to the Department of Commerce a certain report;
15 requiring the Department of Commerce to provide certain notification to a county
16 under certain circumstances; requiring the Department of Commerce to develop
17 certain metrics and a framework for analyzing certain matters; altering the
18 definitions of certain employees for purposes of determining eligibility for a certain
19 credit against the State income tax; ~~limiting the amount of a certain credit against~~
20 ~~the State income tax that may be claimed by a business entity each taxable year;~~
21 ~~limiting the total amount of credits against the State income tax that certain~~
22 ~~business entities may claim each taxable year; providing that, for any taxable year,~~
23 ~~the amount of a certain credit against the property tax imposed on certain qualified~~
24 ~~property may not exceed a certain amount;~~ providing for the termination of the
25 Enterprise Zone Program and, except under certain circumstances, eligibility for

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 certain tax credits provided under the Program; and generally relating to the
2 Enterprise Zone Program.

3 BY repealing and reenacting, with amendments,
4 Article – Economic Development
5 Section ~~5–702, 5–704(a)(2) and (4) and (b)~~ 5–704(a)(4), 5–705, ~~5–706~~, 5–707(d), and
6 5–709
7 Annotated Code of Maryland
8 (2018 Replacement Volume and 2021 Supplement)

9 BY repealing and reenacting, without amendments,
10 Article – Economic Development
11 Section ~~5–704(a)(1) and 5–707(a) and (d)~~
12 Annotated Code of Maryland
13 (2018 Replacement Volume and 2021 Supplement)

14 BY adding to
15 Article – Economic Development
16 Section 5–710
17 Annotated Code of Maryland
18 (2018 Replacement Volume and 2021 Supplement)

19 BY repealing and reenacting, with amendments,
20 Article – Tax – General
21 Section 10–702
22 Annotated Code of Maryland
23 (2016 Replacement Volume and 2021 Supplement)

24 ~~BY repealing and reenacting, without amendments,
25 Article – Tax – Property
26 Section ~~9–103(b)(1)~~
27 Annotated Code of Maryland
28 (2019 Replacement Volume and 2021 Supplement)~~

29 ~~BY repealing and reenacting, with amendments,
30 Article – Tax – Property
31 Section ~~9–103(d)~~
32 Annotated Code of Maryland
33 (2019 Replacement Volume and 2021 Supplement)~~

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

36 **Article – Economic Development**

37 5–702.

1 (A) THE PURPOSE OF THE ENTERPRISE ZONES AUTHORIZED UNDER THIS
 2 SUBTITLE IS TO ATTRACT, RETAIN, AND ENCOURAGE COMMERCIAL DEVELOPMENT
 3 IN ECONOMICALLY DISTRESSED AREAS OF THE STATE, IN PARTNERSHIP WITH
 4 POLITICAL SUBDIVISIONS, BY INCENTIVIZING CAPITAL INVESTMENT AND JOB
 5 CREATION THROUGH REAL PROPERTY AND INCOME TAX CREDITS.

6 (B) Subject to § 9–103 of the Tax – Property Article, a business entity that owns,
 7 operates, develops, constructs, or rehabilitates property intended for use primarily as single
 8 or multifamily residential property located in an enterprise zone may not benefit from an
 9 incentive or initiative under this subtitle.

10 5–704.

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

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

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

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

20 ~~(i) the average rate of unemployment in EACH CENSUS TRACT~~
 21 ~~WITHIN the area, or within a reasonable proximity to the area but in the same county IF~~
 22 ~~FEWER THAN 1,500 INDIVIDUALS RESIDE IN THE CENSUS TRACT, for the most recent~~
 23 ~~18-month period for which data are available is at least 150% of the greater of the average~~
 24 ~~rate of unemployment in either the State or the United States during that period;~~

25 ~~(ii) the population in EACH CENSUS TRACT WITHIN the area, or~~
 26 ~~within a reasonable proximity to the area but in the same county IF FEWER THAN 1,500~~
 27 ~~INDIVIDUALS RESIDE IN THE CENSUS TRACT, qualifies the area as a low-income poverty~~
 28 ~~area;~~

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

34 ~~(iv) the population in EACH CENSUS TRACT WITHIN the area, or~~
 35 ~~within a reasonable proximity to the area but in the same county IF FEWER THAN 1,500~~

~~INDIVIDUALS RESIDE IN THE CENSUS TRACT, decreased by 10% between the most recent two censuses, and the political subdivision can demonstrate to the Secretary's satisfaction that:~~

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

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

(4) The Secretary:

(I) SHALL ADOPT REGULATIONS GOVERNING THE EVALUATION AND PRIORITIZATION OF APPLICATIONS FOR THE DESIGNATION OF NEW ENTERPRISE ZONES UNDER THIS SECTION AND THE EXPANSION OF EXISTING ENTERPRISE ZONES UNDER § 5-705 OF THIS SUBTITLE; AND

(II) may [establish by regulation any other requirements] ADOPT REGULATIONS necessary and appropriate to carry out this subtitle.

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

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

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

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

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

5-705.

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

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

4 (3) For purposes of § 5-704(b) of this subtitle, an expansion of an enterprise
 5 zone that does not exceed ~~[50%] 25%~~ of the existing geographic area of the enterprise zone
 6 does not count towards the limit on the number of enterprise zones that:

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

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

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

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

12 (ii) in the determination of the Secretary, has suffered a significant
 13 loss of economic base **OR MERITS INCLUSION IN AN ENTERPRISE ZONE FOR A**
 14 **COMPELLING ECONOMIC REASON.**

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

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

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

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

26 ~~5-706.~~

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

29 ~~(1) 5 years; or~~

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

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

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

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

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

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

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

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

30 5-707.

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

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

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

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

1 (d) (1) Except as provided in § 10–702 of the Tax – General Article and §
2 9–103 of the Tax – Property Article, the incentives and initiatives set forth in this section
3 are available for 10 years after the date that an area is designated an enterprise zone.

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

7 **(II) A BUSINESS ENTITY THAT LOCATES IN AN ENTERPRISE**
8 **ZONE BEFORE THE TERMINATION DATE OF THIS SUBTITLE PROVIDED UNDER §**
9 **5–710 OF THIS SUBTITLE REMAINS ELIGIBLE FOR THE BENEFITS AVAILABLE TO A**
10 **BUSINESS ENTITY UNDER THIS SECTION, PROVIDED THAT THE BUSINESS ENTITY**
11 **MEETS THE REQUIREMENTS AND CONDITIONS OF THE CODE SECTION APPLICABLE**
12 **TO THE BENEFIT.**

13 5–709.

14 (a) The Department [and the Comptroller jointly] shall assess each year the
15 effectiveness of the tax credits provided to business entities in enterprise zones and focus
16 areas in enterprise zones, including:

17 (1) the number and amounts of credits granted each year; and

18 (2) the success of the tax credits in attracting and retaining business
19 entities in enterprise zones and focus areas.

20 **(B) (1) ON OR BEFORE SEPTEMBER 15 EACH YEAR, THE STATE**
21 **DEPARTMENT OF ASSESSMENTS AND TAXATION SHALL SUBMIT TO THE**
22 **DEPARTMENT A REPORT THAT INCLUDES THE FOLLOWING INFORMATION FOR THE**
23 **IMMEDIATELY PRECEDING TAXABLE YEAR:**

24 **(I) THE NUMBER OF PROPERTIES CLAIMING A PROPERTY TAX**
25 **CREDIT UNDER § 9–103 OF THE TAX – PROPERTY ARTICLE CALCULATED IN**
26 **ACCORDANCE WITH § 9–103(D)(1) OF THE TAX – PROPERTY ARTICLE;**

27 **(II) THE NUMBER OF PROPERTIES CLAIMING A PROPERTY TAX**
28 **CREDIT UNDER § 9–103 OF THE TAX – PROPERTY ARTICLE CALCULATED IN**
29 **ACCORDANCE WITH § 9–103(D)(4) OF THE TAX – PROPERTY ARTICLE;**

30 **(III) THE NUMBER OF PROPERTIES NEWLY CERTIFIED AS**
31 **QUALIFIED PROPERTIES BY THE STATE DEPARTMENT OF ASSESSMENTS AND**
32 **TAXATION AS ELIGIBLE FOR THE PROPERTY TAX CREDIT UNDER § 9–103 OF THE TAX**
33 **– PROPERTY ARTICLE; AND**

1 (IV) FOR EACH TAXPAYER CLAIMING OR RECEIVING A PROPERTY
2 TAX CREDIT UNDER § 9-103 OF THE TAX – PROPERTY ARTICLE:

3 1. THE NAME OF THE TAXPAYER;

4 2. THE LOCATION OF THE QUALIFIED PROPERTY FOR
5 WHICH THE CREDIT WAS CLAIMED; AND

6 3. THE AMOUNT OF TAX SAVINGS RECEIVED BY EACH
7 QUALIFIED PROPERTY.

8 (2) ON OR BEFORE SEPTEMBER 15 EACH YEAR, THE COMPTROLLER
9 SHALL SUBMIT TO THE DEPARTMENT A REPORT THAT INCLUDES THE FOLLOWING
10 INFORMATION FOR THE IMMEDIATELY PRECEDING TAXABLE YEAR:

11 (I) THE NAME AND ADDRESS OF EACH BUSINESS ENTITY THAT
12 CLAIMED AN INCOME TAX CREDIT UNDER § 10-702 OF THE TAX – GENERAL
13 ARTICLE;

14 (II) THE BUSINESS ACTIVITY CODE OR NORTH AMERICAN
15 INDUSTRY CLASSIFICATION SYSTEM (NAICS) CODE OF THE BUSINESS ENTITY;

16 (III) THE NUMBER OF QUALIFIED EMPLOYEES AND FOCUS AREA
17 EMPLOYEES EMPLOYED BY THE BUSINESS ENTITY;

18 (IV) THE NUMBER OF ECONOMICALLY DISADVANTAGED
19 INDIVIDUALS EMPLOYED BY THE BUSINESS ENTITY AND THE NUMBER OF YEARS FOR
20 WHICH THOSE ECONOMICALLY DISADVANTAGED INDIVIDUALS HAVE BEEN
21 EMPLOYED BY THE BUSINESS ENTITY; AND

22 (V) THE TOTAL AMOUNT OF THE INCOME TAX CREDIT CLAIMED
23 BY THE BUSINESS ENTITY.

24 (C) (1) (I) ON OR BEFORE SEPTEMBER 15 EACH YEAR, EACH COUNTY
25 WITHIN WHICH AN ENTERPRISE ZONE IS LOCATED SHALL SUBMIT TO THE
26 DEPARTMENT A DETAILED REPORT ON EACH ENTERPRISE ZONE IN THE COUNTY TO
27 ASSIST THE DEPARTMENT IN THE ASSESSMENT REQUIRED UNDER SUBSECTION (A)
28 OF THIS SECTION.

29 (II) THE COUNTY SHALL INCLUDE IN THE REPORT REQUIRED
30 UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH THE FOLLOWING INFORMATION
31 FOR THE IMMEDIATELY PRECEDING FISCAL YEAR:

1 **1. NOTABLE EXAMPLES OF REDEVELOPMENT OR NEW**
2 **BUSINESSES RELOCATING OR EXPANDING IN THE ENTERPRISE ZONE DUE TO THE**
3 **TAX CREDITS PROVIDED UNDER THIS SUBTITLE; AND**

4 **2. A DESCRIPTION OF FUTURE ECONOMIC**
5 **DEVELOPMENT PROJECTS THAT MIGHT CLAIM A TAX CREDIT PROVIDED UNDER THIS**
6 **SUBTITLE, INCLUDING WITH RESPECT TO EACH PROJECT:**

7 **A. WHETHER THE PROJECT IS LOCATED WITHIN A FOCUS**
8 **AREA;**

9 **B. WHETHER THE PROJECT MAY QUALIFY FOR A CREDIT**
10 **UNDER THIS SUBTITLE AGAINST THE TAX IMPOSED ON REAL PROPERTY, PERSONAL**
11 **PROPERTY, OR INCOME; AND**

12 **C. ANTICIPATED CAPITAL OR PERSONAL PROPERTY**
13 **EXPENDITURES FOR THE PROJECT.**

14 **(2) (I) IF A COUNTY FAILS TO PROVIDE THE REPORT REQUIRED**
15 **UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE DEPARTMENT SHALL NOTIFY**
16 **THE COUNTY THAT THE REPORT IS DUE.**

17 **(II) IF, AFTER THE DEPARTMENT HAS PROVIDED A COUNTY THE**
18 **NOTICE DESCRIBED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE COUNTY**
19 **FAILS TO PROMPTLY PROVIDE THE OVERDUE REPORT, THE SECRETARY MAY NOT**
20 **DESIGNATE A NEW ENTERPRISE ZONE IN THE COUNTY OR GRANT THE EXPANSION OF**
21 **AN EXISTING ENTERPRISE ZONE IN THE COUNTY UNTIL THE REPORT IS RECEIVED**
22 **BY THE DEPARTMENT.**

23 **(D) THE DEPARTMENT SHALL DEVELOP FORMAL METRICS AND A**
24 **FRAMEWORK FOR ANALYZING:**

25 **(1) THE COST-EFFECTIVENESS OF EACH ENTERPRISE ZONE; AND**

26 **(2) THE EFFECTIVENESS OF EACH ENTERPRISE ZONE IN ATTRACTING**
27 **BUSINESSES AND INCREASING EMPLOYMENT.**

28 **[(b)] (E) On or before December 15 [of] each year, the Department [and the**
29 **Comptroller] shall submit to the Governor and, in accordance with § 2-1257 of the State**
30 **Government Article, the General Assembly a report outlining the findings of the**
31 **Department [and the Comptroller] and any other information of value in determining the**
32 **effectiveness of the tax credits provided under § 5-707(b) of this subtitle.**

33 **5-710.**

1 **THIS SUBTITLE AND, EXCEPT AS PROVIDED IN § 5–707(D)(2) OF THIS**
 2 **SUBTITLE, ELIGIBILITY FOR THE TAX CREDITS PROVIDED UNDER § 5–707(A) OF THIS**
 3 **SUBTITLE SHALL TERMINATE ON JANUARY 1, 2030.**

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

6 **Article – Tax – General**

7 10–702.

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

9 (2) (i) “Business entity” means:

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

11 2. an organization that is exempt from taxation under §
 12 501(c)(3) or (4) of the Internal Revenue Code.

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

16 (3) “Economically disadvantaged individual” means an individual who is
 17 certified by provisions that the Maryland Department of Labor adopts as an individual who,
 18 before becoming employed by a business entity in an enterprise zone:

19 (i) was both unemployed for at least 30 consecutive days and
 20 qualified to participate in training activities for the economically disadvantaged under the
 21 federal Workforce Innovation and Opportunity Act or its successor; or

22 (ii) in the absence of an applicable federal act, met the criteria for an
 23 economically disadvantaged individual that the Secretary of Labor sets.

24 (4) (i) “Enterprise zone” has the meaning stated in § 5–701 of the
 25 Economic Development Article.

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

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

30 (6) “Focus area employee” means an individual who:

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

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

5 (iii) spends at least **[50 percent] 50%** of the hours under item (ii) of
6 this paragraph either in the focus area or on activities of the business entity resulting
7 directly from its location in the focus area;

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

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

10 2. The date on which the business entity located in the focus

11 area; and

12 (v) earns at least **[150 percent] 120%** of the **[federal] STATE**
13 minimum wage.

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

15 (i) is **[a new employee] HIRED TO FILL A NEWLY CREATED**
16 **POSITION** or **[an employee rehired after being laid off for more than 1 year by a business**
17 **entity], IF THE INDIVIDUAL IS AN ECONOMICALLY DISADVANTAGED INDIVIDUAL, IS**
18 **HIRED TO FILL A POSITION PREVIOUSLY HELD BY ANOTHER ECONOMICALLY**
19 **DISADVANTAGED INDIVIDUAL;**

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

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

25 (iv) earns at least **[150%] 120%** of the **[federal] STATE** minimum
26 wage; and

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

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

29 2. the date on which the business entity locates in the

30 enterprise zone.

1 (b) (1) ~~Any~~ ~~SUBJECT TO THE LIMITATIONS OF THIS SECTION, ANY~~
2 business entity that is located in an enterprise zone and satisfies the requirements of §
3 5-707 of the Economic Development Article may claim a credit only against the State
4 income tax for the wages specified in subsections (c) and (d) of this section that are paid in
5 the taxable year for which the entity claims the credit.

6 (2) ~~A~~ ~~SUBJECT TO THE LIMITATIONS OF THIS SECTION, A~~ business
7 entity that is located in a focus area and satisfies the requirements of § 5-707 of the
8 Economic Development Article may claim a credit only against the State income tax for the
9 wages specified in subsection (e) of this section that are paid to a focus area employee in
10 the taxable year for which the entity claims the credit.

11 (3) An organization that is exempt from taxation under § 501(c)(3) or (4) of
12 the Internal Revenue Code may apply the credit under this section as a credit against
13 income tax due on unrelated business taxable income as provided under §§ 10-304 and
14 10-812 of this title.

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

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

20 (i) is an economically disadvantaged individual; and

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

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

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

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

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

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

32 1. is an economically disadvantaged individual;

33 2. became a qualified employee during the taxable year to
34 which the credit applies; and

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

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

7 (iii) up to \$1,000 of the wages paid to each qualified employee who is
8 not hired to replace an individual whom the business entity employed in that or any of the
9 3 preceding taxable years if the qualified employee:

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

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

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

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

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

26 1. is an economically disadvantaged individual; and

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

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

30 1. is not an economically disadvantaged individual; and

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

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

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

4 1. is an economically disadvantaged individual;

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

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

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

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

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

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

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

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

23 (3) A business entity that hires a focus area employee to replace another
24 focus area employee for whom the business entity received a credit under paragraph (1)(i)
25 of this subsection and paragraph (2)(ii) of this subsection in the immediately preceding
26 taxable year may treat the focus area employee as the replacement for the other focus area
27 employee to determine any credit that may be available to the business entity under
28 paragraph (2)(ii) or (iii) of this subsection.

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

31 ~~(2) FOR ANY TAXABLE YEAR:~~

32 ~~(1) THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT~~
33 ~~EXCEED \$250,000; AND~~

1 ~~(H) 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 ~~SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland read~~
 12 ~~as follows:~~

13 ~~Article Tax Property~~

14 ~~9-103.~~

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

18 ~~(d) (1) [The] SUBJECT TO THE LIMITATION UNDER PARAGRAPH (5) OF~~
 19 ~~THIS SUBSECTION, THE appropriate governing body shall calculate the amount of the tax~~
 20 ~~credit under this section equal to a percentage of the amount of property tax imposed on~~
 21 ~~the eligible assessment of the qualified property, as follows:~~

22 ~~(i) 80% in each of the 1st 5 taxable years following the calendar year~~
 23 ~~in which the property initially becomes a qualified property;~~

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

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

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

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

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

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

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

7 ~~(4) For qualified property located in a focus area, the appropriate governing~~
 8 ~~body shall calculate the amount of the tax credit under this section equal to 80% of the~~
 9 ~~amount of property tax imposed on the eligible assessment of the qualified property for~~
 10 ~~each of the 10 taxable years following the calendar year in which the property initially~~
 11 ~~becomes a qualified property.~~

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

15 SECTION ~~4~~ 3. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall
 16 be applicable to all taxable years beginning after December 31, 2021.

17 ~~SECTION 5. AND BE IT FURTHER ENACTED, That Section 3 of this Act shall be~~
 18 ~~applicable to all taxable years beginning after June 30, 2022.~~

19 SECTION ~~6~~ 4. AND BE IT FURTHER ENACTED, That this Act shall take effect
 20 June 1, 2022.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.