

Maryland Department of Business & Economic Development

Tax Credit Information

Tax Credit Programs

- Enterprise Zone Tax Credits
- One Maryland Tax Credit
- Job Creation Tax Credit
- Maryland R&D Tax Credit
- Maryland Technology Investment Tax Credit
- Brownfield Tax Incentive
- Others

ENTERPRISE ZONE TAX CREDITS

2007

Maryland Enterprise Zone Program

- Businesses locating in a Maryland Enterprise Zone may be eligible for income tax credits and real property tax credits in return for job creation and investments made in the zone.

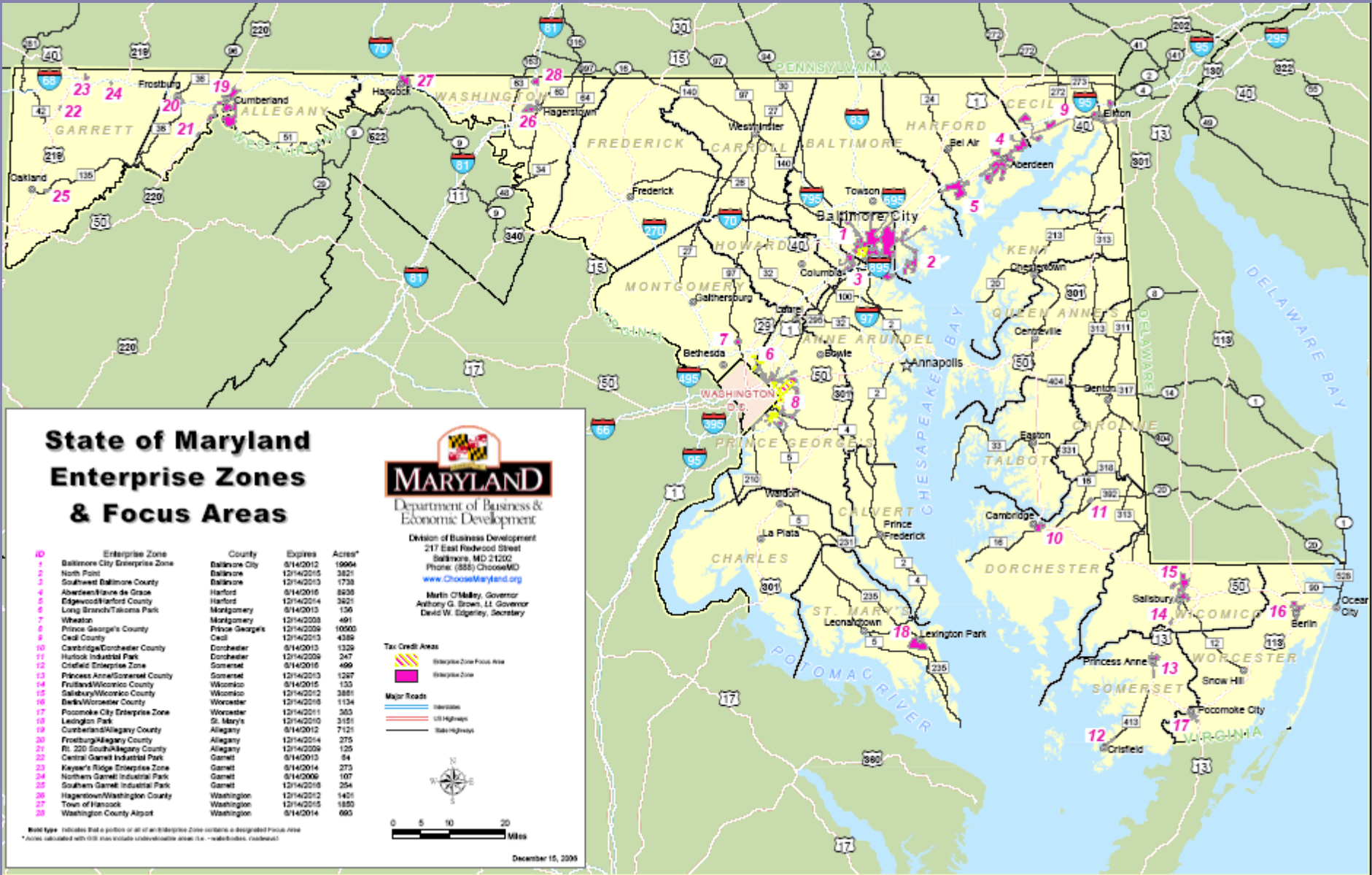
Maryland Enterprise Zone Program

- Counties and municipalities apply to DBED for designation of zones
- DBED determines eligibility and designates zones
- Counties and municipalities are responsible for administering the enterprise zone and certifying businesses for the tax credits

28 Enterprise Zones in 14 Counties:

- 9 Central Maryland
- 10 Western Maryland
- 9 Eastern Shore

3 Focus Areas in
3 Counties



State of Maryland Enterprise Zones & Focus Areas



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Baltimore, MD 21202
Phone: (888) ChooseMD
www.ChooseMaryland.org
Martin O'Malley, Governor
Anthony G. Brown, Lt. Governor
David W. Edgerley, Secretary

ID	Enterprise Zone	County	Expires	Acres*
1	Baltimore City Enterprise Zone	Baltimore City	8/14/2012	19904
2	North Post	Baltimore	12/14/2015	3821
3	Southwest Baltimore County	Baltimore	12/14/2013	1733
4	Aberdeen/Brown de Graaf	Harford	8/14/2016	8938
5	Edgewood/Harford County	Harford	12/14/2014	3421
6	Long Branch/Takoma Park	Montgomery	8/14/2013	136
7	Wheaton	Montgomery	12/14/2008	491
8	Prince George's County	Prince George's	12/14/2009	10500
9	Ceek County	Cecil	12/14/2013	4369
10	Cambridge/Dorchester County	Dorchester	8/14/2013	1329
11	Harlock Industrial Park	Dorchester	12/14/2009	247
12	Cristfield Enterprise Zone	Somerset	8/14/2016	499
13	Princess Anne/Somerset County	Somerset	12/14/2013	1267
14	Fruitland/Wicomico County	Wicomico	8/14/2016	153
15	Salisbury/Wicomico County	Wicomico	12/14/2012	3881
16	Bella/Worcester County	Worcester	12/14/2016	1134
17	Pocomoke City Enterprise Zone	Worcester	12/14/2011	303
18	Lexington Park	St. Mary's	12/14/2010	3151
19	Cumberland/Allegany County	Allegany	8/14/2012	7121
20	Frostburg/Allegany County	Allegany	12/14/2014	275
21	Rt. 220 South/Allegany County	Allegany	12/14/2009	125
22	Central Gamett Industrial Park	Gamett	8/14/2013	84
23	Keyser's Ridge Enterprise Zone	Gamett	8/14/2014	273
24	Northern Gamett Industrial Park	Gamett	8/14/2006	107
25	Southern Gamett Industrial Park	Gamett	12/14/2016	254
26	Hagerstown/Washington County	Washington	12/14/2012	1421
27	Town of Hagerstown	Washington	12/14/2015	1850
28	Washington County Airport	Washington	8/14/2014	693

Tax Credit Areas

- Enterprise Zone Focus Area
- Enterprise Zone

Major Roads

- Interstates
- US Highways
- State Highways



December 15, 2009

Red line: Indicates that a portion or all of an Enterprise Zone contains a designated Focus Area.
*Acres calculated with USGS data include undevelopable areas (i.e., water bodies, roadways).

Real Property Tax Credit

• Years 1-5

- 80% credit on the increase in assessed value

• Years 6-10

- Credit declines 10% annually from 70% in year 6 to 30% in year 10

• After Year 10

- Property is taxed at its full-assessed value

Income Tax Credit

- \$1,000 Credit per new job

OR

- \$6,000 Credit over three years for “Economically Disadvantaged” employees
 - \$3,000 in Year 1
 - \$2,000 in Year 2
 - \$1,000 in Year 3

Economically Disadvantaged Employees

“A member of ... a family which had an income during the 6 months immediately preceding the earlier of the month in which such income determination occurs or the month in which the hiring date occurs, which, *on an annual basis would be 70 percent or less of the Bureau of Labor Statistics lower living standard.*”

DETERMINATION IS MADE BY DLLR

Focus Area Benefits


- Real Property Tax Credit of 80% on the increase in assessed value for full ten years
- Personal Property Tax Credit of 80% for ten years on new investment in personal property

Focus Area Benefits

- Enhanced Income Tax Credits
 - Standard credit increases from \$1,000 to \$1,500
 - Economically Disadvantaged Credit increases from \$6,000 to \$9,000 over three years
 - \$4,500 in Year 1
 - \$3,000 in Year 2
 - \$1,500 in Year 3



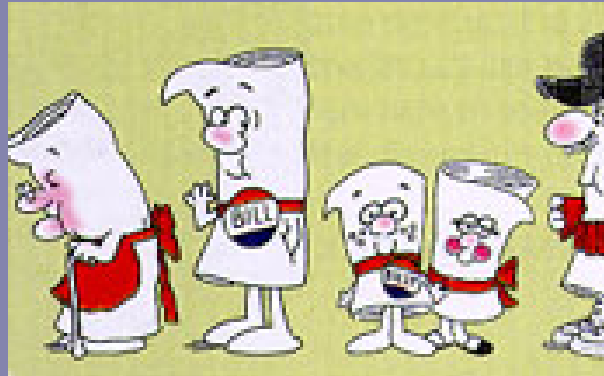
Focus Areas are located In the following Enterprise Zones:

- Baltimore City EZ
 - Prince George's County EZ
 - Takoma Park / Montgomery County EZ
- 

Qualified Employee

- Hired by the business after the later of:
 - Date on which zone is designated
 - Date on which business locates in the zone
- Is paid 150% of Minimum Wage
 - Federal Minimum Wage will increase to \$5.85/h on July 25, 2007 and to \$6.55 in 2008 and to \$7.25 in 2009.
 - Businesses will have to pay at least \$8.78/h after July 25, 2007; \$9.83 in 2008 and \$10.88 in 2009.
- Is Full-time (35 hours/week)
- Is a new employee

2006 Legislative Change: HB 399



- Allows the Secretary to designate up to six enterprise zones in a calendar year.
- Applications to expand an enterprise zone that does not exceed 50% of the original zone do not count against the limitation of the number of enterprise zones the Secretary may grant in a calendar year.

THE
One Maryland Tax Credit

2007

One Maryland Tax Credit

- Businesses that invest in an economic development project in a “qualified distressed county” may qualify for project tax credits of up to \$5 million and start-up tax credits of up to \$500,000



Qualified Distressed Jurisdictions

- Allegany County
 - Garrett County
 - Baltimore City
 - Caroline County
 - Somerset County
 - Worcester County
- 



Two Distinct Credits

Project tax credit

Start-up tax credit





Project Tax Credit

Minimum: \$500,000

Maximum: \$5 million



Eligible Project Costs

- Acquisition (Including land)
- Construction
- Installation
- Equipment

Start-Up Tax Credit

Credit = \$10,000 x new jobs

Or

**100% eligible costs
(whichever is less)**

Maximum = \$500,000

Eligible Start-Up Costs

- Moving Costs to MD
- Furnish and Equip Project
(for ordinary business functions)
 - Computers
 - Fixed Telecommunications Equipment
 - Furnishings
 - Office Equipment

To Qualify

- Locate in a Priority Funding Area within a Distressed Jurisdiction
- Engage in a Qualified Activity
- Create at least 25 “qualified positions” within a 24 month period
- Incur eligible project costs and start-up costs

Qualified Activities Include:

- Manufacturing
- Transportation, warehousing or communication
- Filmmaking
- Resort/ Recreational business
- Agriculture, forestry, fishing, mining
- A public utility or warehousing
- Research, development or testing
- Biotechnology
- Computer programming, data processing or other computer related services;
- Central financial, real estate or insurance services
- The operation of central administrative offices or a company HQ
- Business services

Qualified Position

- Full Time -- Minimum of 35 Hrs/Week
- 150% of Federal Minimum Wage
 - Federal Minimum Wage will increase to \$5.85/h on July 25, 2007 and to \$6.55 in 2008 and to \$7.25 in 2009.
 - Businesses will have to pay at least \$8.78/h after July 25, 2007; \$9.83 in 2008 and \$10.88 in 2009.
- Newly Created
- Engaged in “qualified activity”
- Is Filled for at least 12 months

Timing Issues

24

months

24 months to create threshold number of net new Maryland qualified positions

12

months

Project must start within 12 months of “Declaration of Intent”

3

years

Project must be complete within 3 years of beginning acquisition, construction or installation of the project

Project Tax Credit Limit

Years 1-5

Maximum =

Income Tax Attributable to
the Project

Project Tax Credit Limit

Years 6-15

Yearly Maximum of:

- 1) Income Tax resulting from the project
- 2) Maryland non-project income tax and
- 3) Refund

The total of 2) and 3) cannot exceed the Maryland payroll withholding of the qualified employees

Start-up Tax Credit Limit

Years 1-5

Maximum =

Income Tax Attributable to
the Business Entity

Start-up Tax Credit Limit

Years 6-15

Yearly Maximum of:

- 1) Income tax attributable to the business entity
- 2) Refund, subject to the limit of the payroll withholding of the qualified employees

Refund Begins:

Year



Or Year






Year 4

Accelerated Benefits Available to
companies that declare their intent
on or after July 1, 2002

If pay for the majority of the qualified
positions is at least 250% of
Minimum Wage (\$12.88)





Non Profits

- No Project or Start-Up Credits until refund period begins (years 6 – 15)

Insurance Companies

- No Project Credits until refund period begins (years 6 – 15)
- 

THE JOB CREATION TAX CREDIT

2007

Job Creation Tax Credit

- Provides tax credits to businesses that create new jobs
- The purpose of these incentives is to encourage businesses to expand or relocate in Maryland



Basic Benefit:

2.5% of annual wages

Or \$1,000 per new job

Revitalization Area Benefit:

5% of annual wages

Or \$1,500 per new job

Maximum of \$1 million in a credit year





Revitalization Areas

- Enterprise Zones
 - Empowerment Zones
 - Department of Housing and Neighborhood Development (DHCD) Designated Neighborhoods
- 

Must Create “Qualified Positions”

- Full Time positions -- Minimum of 35 hrs/week
- Paying 150% of Federal Minimum Wage
 - Federal Minimum Wage will increase to \$5.85/h on July 25, 2007 and to \$6.55 in 2008 and to \$7.25 in 2009.
 - Businesses will have to pay at least \$8.78/h after July 25, 2007; \$9.83 in 2008 and \$10.88 in 2009.
- Newly created Maryland positions
- At a single facility in Maryland
- Engaged in a “qualified activity”

“Qualified Activities” include:

- Manufacturing or mining
- Transportation or communication
- Agriculture, forestry, or fishing
- A public utility or warehousing
- Research, development or testing
- Biotechnology
- Computer programming, data processing or other computer related services;
- Central financial, real estate or insurance services
- The operation of central administrative offices or a company HQ
- Business services (in a JCTC PFA only)

Job Creation Minimums

60

Anywhere in Maryland

30

High Wage
(aggregate payroll of \$2.66 million
for 2007)

25

Located in a JCTC
Priority Funding Area

Definitions of Priority Funding Area

Job Creation Tax Credit	Smart Growth
An incorporated municipality;	A municipal corporation, including Baltimore City, except those areas annexed by a municipal corporation after January 1, 1997
A designated neighborhood, as defined in Article 83B, § 4-202 of the Code;	A designated neighborhood, as defined in Article 83B, § 4-202 of the Code;
An Enterprise Zone, as designated under § 5-402 of this title or by the United States government;	An enterprise zone as designated under Article 83A, § 5-402 of the Code, or by the United States government;
Those areas of the State located between interstate highway 495 and the District of Columbia and between interstate 695 and Baltimore City	Those areas of the State located between interstate highway 495 and the District of Columbia and between interstate 695 and Baltimore City
<i>No more than one area in a county designated by the county as a priority funding area under § 5-7B-03(c) of the State Finance and Procurement Article; and</i>	<i>An area designated by the governing body of a county under § 5-7B-03 of this subtitle.</i>
That portion of the Port Land Use Development Zone, as defined in § 6-501(e) of the Transportation Article, that has been designated as an area appropriate for growth in the county comprehensive master plan.	All PLUDZ are within existing County designated PFAs
	A certified heritage area as defined in §§ 13-1101 and 13-1111 of the Financial Institutions Article that is located within a locally designated growth area;

Timing Issues

24
months

Business must create the threshold number of net new Maryland qualified positions in **24 months**.

12
months

Positions must be filled for **12 months** to be “qualified.”

1/2
credit


Business receives **half the credit** the year it qualifies and half the following year. The credit is not refundable.



Year 4

Accelerated Benefits Available to
companies that declare their intent
on or after July 1, 2002

If pay for the majority of the qualified
positions is at least 250% of
Minimum Wage (\$12.88)



MARYLAND RESEARCH AND DEVELOPMENT TAX CREDIT

2007



**Tax credit for businesses that incur
qualified research and development
expenses in Maryland.**

Effective Date: January 1, 2000

Sunset Date: January 1, 2011





Maryland R&D Tax Credits

- *Basic* R&D Credit

- R&D *Growth* Credit



AGGREGATE DOLLAR LIMITS

BASIC R&D: \$3 MILLION

R&D Growth: \$3 MILLION

By statute, the total of both R&D credits combined cannot exceed \$6 million



BENEFITS

● Basic R&D Tax Credit

- 3% OF Average Maryland Qualified R&D

● Growth R&D Tax Credit


- 10% OF Maryland Qualified R&D Growth

● Both credits are subject to an aggregate ceiling of \$3 million



AGGREGATE DOLLAR LIMITS

**Allocation factor determined by DBED
based on applications:**

- If the total amount of credits claimed exceeds \$3 million for each credit, the company will receive a pro rata share
 - If there is money left over from one R&D credit, it may be added to the aggregate limit for the other R&D credit
- 

QUALIFIED RESEARCH

- Conducted in Maryland
- Eligible for Federal R&D Tax Credit


MARYLAND BIOTECHNOLOGY INVESTMENT TAX CREDIT

2007



Biotechnology Investment Tax Credit

Income tax credit for individuals, corporations and qualified Maryland venture capital firms that invest in qualified Maryland Biotechnology Companies.




Qualified Investor

- An individual who invests at least \$25,000 in a Qualified Maryland Biotechnology Company (QMBC)
- A corporation that invests at least \$250,000 in a (QMBC)



Qualified Maryland Venture Capital Firm


- Organized for the purpose of investing funds in privately held companies engaged in research, development or commercialization of innovative and proprietary technology
 - Has at least two principals who each have at least five years of venture capital experience
- 

Qualified Maryland Venture Capital Firm (continued)

- Has at least one year of experience investing in biotechnology or biopharmaceutical companies
- Has its principal place of operation in Maryland
- Invests at least \$250,000 in a QMBC



Qualified Maryland Biotechnology Company

- A company that has its headquarters and base of operations in the State of Maryland
 - Has fewer than 50 employees
 - Has been in active business no longer than 10 years
 - Has been certified as a biotechnology company by DBED
- 

Benefits

● Individual Investors

- 50% of an eligible investment
- Credit cannot exceed \$50,000

● Corporations and qualified Maryland venture capital firms

- 50% of an eligible investment
- Credit cannot exceed \$250,000

Credits are refundable if tax credit exceeds tax liability.

Limits to Benefits

- Amount of credits that DBED can certify is limited by the amount in a reserve fund.
 - Each fiscal year the Governor must include in his budget bill an appropriation for the reserve fund.
- Credits are issued on a first come, first serve basis.
- For FY 2008 \$6 million was appropriated to the reserve fund.

MARYLAND BROWNFIELD TAX INCENTIVE

2007

Eligibility

- Site must qualify for remediation assistance from the Brownfield Revitalization Incentive Program (BRIP)
- Site must be located in a jurisdiction that has elected to participate in the BRIP
- Site must be owned by an inculpable person
- Site must participate in the Maryland Department of the Environment's Voluntary Cleanup Program

Incentive

- For five years after cleanup of the site, a site can receive a real property tax credit between 50 and 70 percent of the new increment of taxes on the increased value of the site.
- In an Enterprise Zone, the tax credit may last for up to 10 years.
- The tax credit, combined with other real property tax credits, may not exceed 100 percent of the tax on the increased value of the site.