



# MARYLAND JOB CREATION TAX CREDIT

Maryland's Job Creation Tax Credit program provides tax credits to businesses that create new jobs. The purpose of these incentives is to encourage businesses to expand or relocate in Maryland.

## Qualifying for the Credit

- Declaration of Intent: A business may not claim any employees hired prior to the business notifying the Department of Business and Economic Development (DBED) of its intent to seek certification for the Job Creation Tax Credit.
- Certification: A business must be certified as a qualified business entity eligible for the tax credit. To be certified, a business must submit applications to DBED.
- Job Creation Minimums: The business must create 60 new, full-time jobs at the expanding or new facility during a 24-month period. In designated "priority funding areas" (defined below), the minimum is 25. Outside "priority funding areas," the requirement may be reduced to as few as 30 new jobs if the aggregate payroll for the qualified positions is greater than 60 X the State's average annual salary (\$2.55 million for 2006).
- Other General Requirements:
  - The new or expanded facility must be engaged in an eligible activity (see below) as defined by the statute.
  - Only new jobs that pay more than 150 percent of the federal minimum wage are eligible for the credit.
  - The expansion or establishment of a business must be at a single location in Maryland. A single firm may have more than one eligible location, provided that each is certified and meets the requirements of the statute.
  - The job must be filled for 12 months before it is qualified for the tax credit.

## Eligible Business Activities

To qualify a business must be primarily engaged in:

- Manufacturing
- Transportation or communications
- Agriculture, forestry, fishing or mining
- A public utility
- 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 headquarters
- Business services firms (only located in a "Priority Funding Area")

A business may also be engaged in the operation of entertainment, recreation, cultural or tourism related activities in a multi-use facility located within a revitalization area if the facility generates a minimum of 1,000 new full-time equivalent filled positions in a 2-year period.

## Calculating the Credit

In most cases, the credit is 2 1/2 percent of aggregate annual wages for all newly created, full-time jobs, subject to a limit of \$1,000 times the number of jobs created. In a state enterprise

zone, a federal empowerment zone, or a Department of Housing and Community Development (DHCD) designated neighborhood, the credit is increased to five percent of annual wages for all newly created full-time jobs, subject to a limit of \$1,500 times the number of jobs created. The credit earned by a qualified business entity may not exceed \$1 million per credit year.

If the credit is more than the tax liability, the unused credit may be carried forward for the next five years. If during the three years succeeding the credit year, the average number of qualified positions falls below the applicable threshold number, all credits shall be recaptured. If the number of qualified positions falls more than five percent, but not below the applicable threshold number, the credit is recaptured in proportion to the decline in certified employees.

### **Job Creation Tax Credit Priority Funding Areas**

A business that locates or expands in a "Priority Funding Area" must only create a minimum of 25 new positions to qualify for the Job Creation Tax Credit. A "priority funding area" is defined for the purposes of the Job Creation Tax Credit as:

- State Enterprise Zones
- Federal Empowerment Zones
- DHCD Designated Neighborhoods
- Incorporated Municipalities
- Areas inside the I-495 and I-695 beltways
- A single growth area designated by each county for the purpose of this credit

The Job Creation Tax Credit remains in effect until January 1, 2010, subject to extension by the General Assembly.

For additional information, contact:

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