



ONE MARYLAND TAX CREDIT PROGRAM

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.

Project Tax Credit

Project tax credits of up to \$5 million are based on qualifying costs and expenses incurred by the business entity in connection with the acquisition, construction, rehabilitation, installation, and equipping of an eligible economic development project. Eligible project costs must be at least \$500,000; project costs in excess of \$5 million are not eligible for the project tax credit.

Start-up Tax Credit

The start-up tax credit is for the expense of moving a business from outside Maryland and for the costs of furnishing and equipping a new location for ordinary business functions. Examples of eligible start-up costs include the cost of fixed telecommunications equipment, office equipment, or office furnishings. The start-up credit earned may not exceed the lesser of \$500,000 of eligible start-up costs or \$10,000 times the number of new, qualified positions created.

Qualifying for the Credits

In order to claim the One Maryland project and start-up tax credits, a business entity must meet the following requirements:

- **Location:** A business must locate or expand in a “Priority Funding Area” in a “qualified distressed county”. Qualified Distressed Counties include: Baltimore City, Allegany, Garrett, Caroline, and Somerset Counties.
- **Declaration of Intent:** A business may not claim any employees hired or any project or start-up expenses incurred prior to notifying the Department of Business and Economic Development (DBED) of its intent to seek certification for the One Maryland tax credits.
- **Certification:** A business must be certified as a qualified business entity eligible for the One Maryland tax credits. To be certified, a business must submit applications to DBED.
- **Job Creation Minimums:** The business must create at least 25 new, full-time positions at the project within 24 months of the date the project is placed in service.
- **Other General Requirements:**
 - The project must be engaged in an eligible activity as defined by the statute.
 - Only new jobs that pay more than 150 percent of the federal minimum wage are counted toward the credit.
 - A job must be filled for 12 months before it is a “qualified position” 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
- Filmmaking
- Resort/ Recreational Businesses

Claiming the Credits

- A qualified business entity may claim both the project and start-up tax credits. The credits can be carried forward for 14 years after the tax-year in which the project is placed in service.
- If the full start-up tax credit has not been taken against the business' state tax during the first four years after the taxable year in which the project was placed in service, the business may also claim a refund, up to withholding taxes of the qualified employees.
- If the full project tax credit has not been taken against the state tax arising out of or generated by the project during the first four years after the taxable year in which the project was placed in service, the business may take the credit against state tax for other income and claim a refund, up to withholding taxes of the qualified employees.
- A qualified business entity that pays insurance premium tax may take the start-up tax credit against the premium tax. In addition, after the 4th year after the taxable year in which the project is placed in service, the business may also take the project tax credit against the premium tax and claim a refund, in a total amount not to exceed the amount of state taxes that the business is required to withhold from the wages of qualified employees at the project.
- If the majority of the positions created are paid at 250 percent or more of the federal minimum wage and the first notice of intent to seek certification is filed with DBED on or after July 1, 2002, the excess credit may be used against the tax on non-project income or refunded two years earlier than normally permitted.

For additional information, contact:

Maryland Department of Business and Economic Development, Tax Incentive Group, 410-767-6438 or 410-767-4980