



Business Tax Incentives

One Maryland Tax Credit

Maryland Department of Commerce
2018

ONE MARYLAND TAX CREDIT

- State income tax credit for businesses that create new jobs and invest in an economic development project in a Tier 1 County.
- Adopted in 1999. Significant legislative changes made during the 2018 Session (HB1295)
- Changes effect any business certified beginning July 1, 2018.
 - Businesses that submitted their intent or preliminary application prior to July 1, 2018 are not grandfathered in if they did not receive final certification prior to July 1, 2018.
 - Any business that is certified BEFORE July 1, 2018 is subject to the existing statute.
- Tier 1 Counties include:

* Subject to change

Tier 1 Counties

- Allegany
- Baltimore City
- Caroline
- Dorchester
- Garrett
- Kent
- Somerset
- Washington
- Wicomico
- Worcester

Determination of Tier 1 Counties is based on economic criteria of unemployment and household income.

Data is checked monthly by Commerce.

If a county no longer met the unemployment or household income criteria, it would continue to be a Tier 1 County for the next 24 months.

PROJECT TAX CREDIT BENEFIT

- Amount of project tax credit is based on both the amount of qualified project costs and the number of qualified jobs created.
- A business may qualify for the following maximum credit amounts:
 - For businesses that create 10-24 qualified positions: maximum \$1 million in credits based on eligible project costs.
 - For businesses that create 25-49 qualified positions: maximum \$2.5 million in credits based on eligible project costs.
 - For businesses that create at least 50 qualified positions: maximum \$5 million in credits based on eligible project costs.

Eligible Project Costs

- Eligible project costs include:
 - Acquisition (including land)
 - Construction
 - Installation
 - Equipment
 - Moving costs to Maryland
 - Furnish and equip project for ordinary business functions, such as
 - √ Computers
 - √ Fixed telecommunications equipment
 - √ Furnishings
 - √ Office equipment

QUALIFYING FOR THE CREDIT

- Project must be located in a “Priority Funding Area” in a “Tier 1 County.”
- The business must declare its intent to qualify for the program to COMMERCE in writing prior to incurring costs or creating new jobs.
- Commerce must certify the business as eligible for the tax credit and certify the amount of the eligible credit.
- The business must create the minimum required qualified positions (50, 25 or 10 jobs) at the project within 24 months. The positions must be filled for 12 months.
- The business must be primarily engaged in a qualified activity at the business facility.

QUALIFIED POSITIONS

- Full-time – Minimum of 35 hours per week
- Pay 120% of State Minimum Wage
 - State Minimum Wage is \$10.10 per hour
 - Businesses will have to pay at least \$12.12 per hour
- Newly Created, represents a “net new job” to Maryland
- Must be Filled for at least 12 months

QUALIFIED ACTIVITIES

To qualify, a business must be primarily engaged in:

<ul style="list-style-type: none">• Manufacturing	<ul style="list-style-type: none">• Biotechnology
<ul style="list-style-type: none">• Transportation, warehousing or communication	<ul style="list-style-type: none">• Computer programming, data processing, or other computer related services
<ul style="list-style-type: none">• Filmmaking	<ul style="list-style-type: none">• Central financial, real estate or insurance services
<ul style="list-style-type: none">• Resort / Recreational business	<ul style="list-style-type: none">• The operation of Central administrative offices or a company HQs
<ul style="list-style-type: none">• Agriculture, forestry, fishing, mining	<ul style="list-style-type: none">• Business services
<ul style="list-style-type: none">• Research, development or testing	<ul style="list-style-type: none">• Public utility

TIMING ISSUES

<p>24 Months</p>	<p>Business must create the threshold number of net new Maryland qualified positions within 24 months.</p>
<p>12 Months</p>	<p>Project must start within 12 months of the Declaration of Intent.</p>
<p>3 years</p>	<p>Project must be complete within 3 years of beginning acquisition, construction or installation of the project.</p>

ONE MARYLAND CHECKLIST

- What is the project?
 - New facility, expansion, in-state relocation?
 - How many new jobs and what will they do?
 - Capital expenditures?
- Is the business “primarily engaged in a qualified activity”?
 - No construction, retail, restaurants, hotels, personal services.
 - What is the NAICs code (North American Industrial Classification System)?
 - Business services- who are the business’s customers, revenue source?
- Do the jobs qualify?
 - Are they net new jobs to Maryland?
 - Do the hours and wages qualify?
- Is the business moving from a Maryland county into a Tier 1 County?
 - May not qualify for One MD if it is creating a deleterious effect on the county it is leaving. Secretary makes determination based on facts and circumstances.
- Are they leasing space or paying for costs out-of-pocket?
 - Leases must be approved by Commerce to be included as an eligible project cost.

CLAIMING THE PROJECT TAX CREDIT

- Project tax credit may be carried forward for 10 years after the first credit year.
- Taken against the business's State income tax liability or for insurance companies, the State's insurance premiums tax.
- Limited refundability:
 - Business can claim a refund beginning after the 4th credit year (year 5).
 - Refund is limited to the amount of tax the business is required to withhold from the wage of the qualified positions.

ONE MARYLAND ISSUES

- May not claim the One Maryland Tax Credit and Job Creation Tax Credit in the same tax year.
- Non-profits may not qualify for the project tax credit until the refund period begins.
- A qualified position must represent a “net new job” (no job shifting or jobs resulting from mergers, acquisitions, etc.)
- Structure of the business may have to be reviewed by COMMERCE.
- Lease costs only count in certain circumstances.
- Purchase of an existing building may only count if the building is determined to be vacant or underused.

CLAIMING ONE MARYLAND TAX CREDITS

Credit may be claimed against

- Corporate Income Tax
- Personal Income Tax
- Insurance Premiums Tax

Who may claim the credit

- Sole proprietorships
- Corporations
- Pass-Through entities
 - Partnerships
 - LLCs
 - Subchapter S corporations

**Applications and other materials
are available at:**

<http://commerce.maryland.gov/>