

Incentives Update

# Maryland Tax and Incentive

Current Legislation Update

A Cushman & Wakefield Business Incentives Practice Update



## EXECUTIVE SUMMARY

On April 11, 2017, Governor Larry Hogan, along with Senate President Thomas V. “Mike” Miller and Speaker of the House Mike Busch, signed 120 bills into law following the conclusion of the 2017 session of the Maryland General Assembly. The final bill of the signing ceremony was the governor’s ‘More Jobs for Marylanders Act’ (SB 317), which was the centerpiece of the Governor’s Maryland Jobs Initiative. The tax incentive program makes existing business entities eligible for a credit against the state income tax; additionally, the incentive makes new business entities eligible for (i) a credit against the state income tax; (ii) a credit against the state property tax; (iii) a sales and use tax refund; and (iv) a waiver of the corporate recording and filing fees.

## A CLOSER LOOK

The "More Jobs for Marylanders" tax incentive program has been enacted. An existing business entity is eligible for a credit against the state income tax, and a new business entity is eligible for (i) a credit against the state income tax; (ii) a credit against the state property tax; (iii) a sales and use tax refund; and (iv) a waiver of the corporate recording and filing fees. The incentives may be claimed for up to ten consecutive years.

The incentives are available to businesses that are primarily engaged in manufacturing, excluding refiners. Businesses must be located in certain counties and create new jobs at a qualified facility. A business may no longer claim any program benefits if the number of qualified positions decreases below the total number in the first year in which the business qualified. Businesses must notify the Department of Commerce of an intent to seek certification for an eligible project prior to taking action that qualifies it for the program. The department may not certify any business as eligible after June 1, 2020.

Applicable after December 31, 2017, the income tax credit equals the total wages paid for the qualified positions multiplied by 5.75%. If the value of the credit exceeds the tax liability during the year, the business can claim a refund in the amount of the excess.

The credit against state property tax is applicable to tax years beginning after June 30, 2017 and is equal to 100% of the tax due. The credit does not affect any county or municipal tax imposed on the property.

A qualified business entity is eligible for a refund of sales and use tax paid during the immediately preceding calendar year for qualified personal property or services purchased on or after January 1, 2018 if the property or services were purchased for use solely at an eligible project.

Effective for a three year period beginning July 1, 2017, the legislation also authorizes a credit against the income tax for individuals or corporations that employ an apprentice for at least seven months. The credit is equal to the lesser of \$1,000 for each apprentice or the taxpayer’s tax liability. Applicable to taxable years after December 31, 2018, the legislation also permits manufacturing businesses to claim increased expensing amounts under the state income tax by conforming state law to the maximum aggregate costs of expensing allowed under Section 179 of the IRC and to claim any bonus depreciation amounts provided under Section 168(k) of the IRC.

The legislation also bolsters the state’s workforce so that Maryland workers have the skills needed to fill these new

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jobs. It provides \$1 million in Workforce Development Scholarships for eligible students enrolled in job training programs at community colleges, and contains measures to encourage high schools to offer additional vocational training, as well as requiring state agencies to analyze their registered apprenticeship programs.