

ECONOMIC DEVELOPMENT ARTICLE

REGIONAL INSTITUTION STRATEGIC ENTERPRISE (RISE) ZONE PROGRAM

§ 5–1401. Terms Defined.

- (a) In this subtitle the following words have the meanings indicated.
- (b) “Area” means a geographic area in one or more political subdivisions in the State described by a closed perimeter boundary.
- (c) “Nonprofit organization” means an organization that is exempt or eligible for exemption from taxation under § 501(c)(3) of the Internal Revenue Code.
- (d) “Qualified institution” means an entity that is designated as a qualified institution under § 5–1403 of this subtitle and may include:
 - (1) a regional higher education center as defined under § 10–101 of the Education Article;
 - (2) an institution of higher education as defined under § 10–101 of the Education Article; or
 - (3) a nonprofit organization that is affiliated with a federal agency.
- (e) “RISE zone” means a geographic area in immediate proximity to a qualified institution that is targeted for increased economic and community development that meets the requirements of § 5–1404 of this subtitle and is designated as a Regional Institution Strategic Enterprise zone by the Secretary under § 5–1404 of this subtitle.

§ 5–1402. Purpose of Program.

The purpose of the Regional Institution Strategic Enterprise Zone Program is to access institutional assets that have a strong and demonstrated history of commitment to economic development and revitalization in the communities in which they are located.

§ 5–1403. Qualified Institution Designation.

- (a) An institution may apply to the Secretary to be designated as a qualified institution.
- (b) To be eligible for designation as a qualified institution, the applicant shall:
 - (1) evidence an intention:
 - (i) to make a significant financial investment or commitment in an area of the State that the applicant intends to become a RISE zone;
 - (ii) to use the resources and expertise of the applicant to spur economic development and community revitalization in an area of the State that the applicant intends to become a RISE zone; and
 - (iii) to create a significant number of new jobs within an area of the State that the applicant intends to become a RISE zone;
 - (2) have a demonstrated history of community involvement and economic development within the communities that the applicant serves; and

(3) meet the minimum financial qualifications established by the Secretary.

(c) If the applicant is a nonprofit organization that is not an institution of higher education, the application shall demonstrate an affiliation with a federal agency.

(d) (1) In addition to the requirements under subsection (b) of this section, the Secretary may establish by regulation any other requirements necessary and appropriate in order for an applicant to be designated as a qualified institution.

(2) The Secretary shall adopt regulations that establish factors for evaluating applications under subsection (b) of this section.

(e) In the form and content acceptable to the Secretary, an applicant shall submit to the Secretary an application that contains the information that the Secretary considers necessary to evaluate the request for designation as a qualified institution.

(f) (1) Within 90 days after submission of an application under this section, the Secretary shall approve or reject the application of an institution to be designated as a qualified institution.

(2) At least 30 days before approval or rejection of an application under this section, the Secretary shall notify the Legislative Policy Committee.

(3) The Legislative Policy Committee may provide advice to the Secretary regarding the approval or rejection of an institution as a qualified institution.

§ 5–1404. RISE Zone Area Designation.

(a) On or after July 1, 2015, a qualified institution shall apply jointly with a county, a municipal corporation, or the economic development agency of a county or municipal corporation to the Secretary to designate an area as a Regional Institution Strategic Enterprise zone.

(b) The application shall:

(1) be in the form and contain the information that the Secretary requires by regulation;

(2) state the boundaries of the area of the proposed RISE zone;

(3) describe the nexus of the RISE zone with the qualified institution; and

(4) contain a plan that identifies the target strategy and anticipated economic impacts of the RISE zone.

(c) The Secretary may establish, by regulation, any other requirements necessary and appropriate for an area to be designated as a RISE zone.

(d) (1) Unless a county in which a municipal corporation is located agrees to designation of a RISE zone in the municipal corporation, qualified property in the municipal corporation may not receive a tax credit against county property tax.

(2) Unless a municipal corporation located within a county agrees to designation of a RISE zone within its boundaries, qualified property in the county may not receive a tax credit against the municipal property tax.

(e) (1) Within 120 days after submission of an application under this section, the Secretary shall:

(i) approve or reject an application for designation of a RISE zone, including approval or modification of the proposed boundaries of the RISE zone; and

(ii) define the boundaries of the approved RISE zone.

(2) At least 45 days before approval or rejection of an application under this section, the Secretary shall notify the Legislative Policy Committee.

(3) The Legislative Policy Committee may provide advice to the Secretary regarding:

(i) the approval or rejection of the RISE zone; or

(ii) the boundaries of the RISE zone proposed by the Secretary.

(f) (1) (i) Subject to subparagraph (ii) of this paragraph, the designation of an area as a RISE zone is effective for 5 years.

(ii) Upon a joint application of a qualified institution, a county and, if applicable, a municipal corporation, or the economic development agency of a county or municipal corporation, the Secretary may renew a RISE zone for an additional 5 years.

(2) The Secretary may not approve more than three RISE zones in a single county or municipal corporation.

(g) (1) A RISE zone may not be required to be in the immediate geographic proximity of a qualified institution if an appropriate nexus for the increased economic and community development is established with the qualified organization.

(2) If the proposed RISE zone is in a rural part of the State, a qualified institution may not be required to be in the immediate area of the RISE zone.

(h) The Secretary may not designate a RISE zone in:

(1) a development district established under Title 12, Subtitle 2 of this article; or

(2) a special taxing district established under Title 21 of the Local Government Article or Section 62A of the Baltimore City Charter.

(i) The designation of an area as a RISE zone may not be construed to limit or supersede a provision of a comprehensive plan, zoning ordinance, or other land use policy adopted by a county, municipal corporation, or bicounty agency with land use authority over the area designated as a RISE zone.

§ 5-1405. RISE Zone Concierge.

(a) The Secretary shall assign to a RISE zone a business and community development concierge who is an employee of the Department.

(b) A business and community development concierge shall assist entities locating in the RISE zone with:

(1) State, county, or municipal corporation permit and license applications;

(2) accessing existing programs at the Department, the Department of Housing and Community Development, the Department of Labor, Licensing, and Regulation, the Maryland Technology Development Corporation, or the Department of Transportation; and

(3) any other activities the Secretary authorizes that relate to the development of the RISE zone.

§ 5–1406. RISE Zone Business Entity Incentives; Adoption of Regulations.

(a) (1) To the extent provided for in this section, a business entity that locates in a RISE zone is entitled to:

(i) the property tax credit under § 9–103.1 of the Tax – Property Article;

(ii) the income tax credit under § 10–702 of the Tax – General Article; and

(iii) priority consideration for financial assistance from programs in Subtitle 1 of this title.

(2) For purposes of the income tax credit authorized under paragraph (1)(ii) of this subsection, the business entity is treated as being located in an enterprise zone.

(b) A business entity that moves into or locates in a RISE zone on or after the date that the zone is designated under this subtitle may qualify for the incentives under this section.

(c) A business entity may not qualify for the incentives under subsection (a) of this section unless the Department, in consultation with the county or municipal corporation in which a RISE zone is located, certifies the business entity and its location as consistent with the target strategy of the RISE zone.

(d) (1) Unless a business entity makes a significant capital investment or expansion of its labor force after a RISE zone is designated, the incentives under this section are not available to a business entity that was in a RISE zone before the date that the zone is designated.

(2) The Department shall adopt regulations establishing factors to determine if a business entity makes a significant capital investment or expansion of its labor force under paragraph (1) of this subsection.

§ 5–1407. Reporting Requirements.

(a) The Department and the Comptroller jointly shall assess each year the effectiveness of the tax incentives provided to business entities in RISE zones, including:

(1) the number and amounts of tax incentives granted each year; and

(2) the success of the tax incentives in attracting and retaining business entities in RISE zones.

(b) On or before December 15 of each year, the Department and the Comptroller shall submit to the Governor and, in accordance with § 2–1246 of the State Government Article, the Senate Budget and Taxation Committee, the House Committee on Ways and Means, and the Tax Credit Evaluation Committee a report outlining the findings of the Department and the Comptroller and any other information of value in determining the effectiveness of the tax incentives authorized under this subtitle.

TAX INCREMENT FINANCING ACT.

§ 12–201. Terms Defined.

(a) In this subtitle the following words have the meanings indicated.

(b) “Adjusted assessable base” means the fair market value of real property that qualifies for a farm or agricultural use under § 8–209 of the Tax – Property Article, without regard to the

agricultural use assessment for the property as of January 1 of the year preceding the effective date of the resolution creating the development district under § 12–203 of this subtitle.

(c) “Assessable base” means the total assessable base, as determined by the Supervisor of Assessments or the governing body in accordance with § 12–203(b) of this subtitle, of all real property subject to taxation in a development district or a sustainable community.

(d) (1) “Assessment ratio” means a real property tax assessment ratio, however designated or calculated, that is used under applicable general law to determine the assessable base.

(2) “Assessment ratio” includes the assessment percentage specified under § 8–103(c) of the Tax – Property Article.

(e) “Bond” means a revenue bond, note, or other similar instrument issued in accordance with this subtitle by:

- (1) a political subdivision; or
- (2) the revenue authority of Prince George’s County.

(f) “Chief executive” means the president, chair, mayor, or other chief executive officer of a political subdivision or the revenue authority of Prince George’s County.

(g) “Development” includes new development, redevelopment, revitalization, and renovation.

(h) “Development district” means a contiguous area designated by a resolution.

(i) “Issuer” means a political subdivision or the revenue authority of Prince George’s County that issues a bond under this subtitle.

(j) “MEDCO obligation” means a bond, note, or other similar instrument that the Maryland Economic Development Corporation issues under authority other than this subtitle to finance the cost of infrastructure improvements located in or supporting a transit-oriented development, a sustainable community, or a State hospital redevelopment.

(k) “Original base” means the assessable base:

(1) as of January 1 of the year preceding the effective date of the resolution creating the development district under § 12–203 of this subtitle; or

(2) if the political subdivision determined the original base in accordance with § 12–203(b) of this subtitle, the base value as established in the resolution.

(l) “Original full cash value” means the dollar amount that is determined by dividing the original base by the assessment ratio used to determine the original base.

(m) “Original taxable value” means for any tax year the dollar amount that is:

- (1) the adjusted assessable base, if an adjusted assessable base applies; or
- (2) in all other cases, the lesser of:

(i) the product of multiplying the original full cash value by the assessment ratio applicable to that tax year; and

(ii) the original base.

(n) “Political subdivision” means a county or a municipal corporation.

(n-1) “RISE zone” means an area designated as a Regional Institution Strategic Enterprise zone under § 5–1404 of this article.

(o) “State hospital redevelopment” means any combination of private or public commercial, residential, or recreational uses, improvements, and facilities that:

(1) is part of a comprehensive coordinated development plan or strategy involving:

(i) property that was occupied formerly by a State facility, as defined in § 10–101 of the Health – General Article, or a State residential center, as defined in § 7–101 of the Health – General Article; or

(ii) property that is adjacent or reasonably proximate to property that was occupied formerly by a State facility, as defined in § 10–101 of the Health – General Article, or a State residential center, as defined in § 7–101 of the Health – General Article;

(2) in accordance with design development principles, maximizes use of the property by those constituencies it is intended to serve; and

(3) is designated as a State hospital redevelopment by:

(i) the Smart Growth Subcabinet established under § 9–1406 of the State Government Article; and

(ii) the local government or multicounty agency with land use and planning responsibility for the relevant area.

(p) (1) “Sustainable community” has the meaning stated in § 6–201 of the Housing and Community Development Article.

(2) “Sustainable community” includes a portion of a sustainable community.

(q) “Tax increment” means for any tax year the amount by which the assessable base as of January 1 of the preceding tax year exceeds the original base taxable value divided by the assessment ratio used to determine the original taxable value.

(r) “Tax year” means the period from July 1 of a calendar year through June 30 of the next calendar year.

(s) “Transit-oriented development” has the meaning stated in § 7–101 of the Transportation Article.

§ 12–202. Subtitle Construction and Application.

(a) (1) This subtitle is self-executing.

(2) A political subdivision need not amend its charter to exercise the powers granted by this subtitle.

(b) This subtitle does not apply in Baltimore City.

§ 12–203. Development District Designation.

(a) Before issuing bonds, the governing body of the political subdivision shall:

(1) by resolution:

- (i) designate a contiguous area within its jurisdiction as a development district;
 - (ii) identify an area that has been designated a sustainable community; or
 - (iii) identify an area that has been designated a RISE zone;
- (2) receive from the Supervisor of Assessments a certification of the amount of the original base, or if applicable, the adjusted assessable base; and
- (3) pledge that until the bonds are fully paid, or a longer period, the real property taxes in the development district, a RISE zone, or a sustainable community shall be divided as follows:
- (i) the portion of the taxes that would be produced at the current tax rate on the original taxable value base shall be paid to the respective taxing authorities in the same manner as taxes on other property are paid; and
 - (ii) the portion of the taxes on the tax increment that normally would be paid into the general fund of the political subdivision shall be paid into the special fund established under § 12–208 of this subtitle and applied in accordance with § 12–209 of this subtitle.
- (b) (1) In this subsection, “brownfields site” has the meaning stated in § 5–301 of this article.
- (2) Before issuing bonds and as part of the resolution required under subsection (a) of this section, the governing body of the political subdivision may determine the original base of a brownfields site in a sustainable community.
- (3) The determination of the original base of a brownfields site under this section:
- (i) is not a determination of the value of the brownfields site; and
 - (ii) may not be used to determine a property tax assessment or appeal of a property tax assessment under the Tax – Property Article.
- (c) The establishment or identification by a county of a development district, a RISE zone, or a sustainable community that is wholly or partly in a municipal corporation shall also require a resolution approving the development district, a RISE zone, or sustainable community by the governing body of the municipal corporation.

§ 12–204. Bonds Issuance - Authorized by Ordinance.

- (a) Notwithstanding any limitation of law, an issuer may issue bonds from time to time to finance the development of an industrial, commercial, or residential area.
- (b) To issue bonds under this subtitle, the governing body of a political subdivision shall adopt an ordinance that:
- (1) describes the proposed undertaking; and
 - (2) states:
 - (i) that the governing body has complied with §§ 12–203 and 12–208(c) and (d) of this subtitle;
 - (ii) the maximum principal amount of the bonds; and
 - (iii) the maximum rate of interest on the bonds.

(c) The ordinance may specify the following for bonds issued to carry out the financing of the proposed undertaking:

- (1) the principal amount;
- (2) the rate of interest;
- (3) the manner and terms of sale;
- (4) the time of execution, issuance, and delivery;
- (5) the form and denomination;
- (6) the manner in which, and the times and places at which principal and interest shall be paid;
- (7) conditions for redemption before maturity; or
- (8) other provisions consistent with this subtitle that the governing body of the political subdivision determines are necessary or desirable.

(d) The revenue authority of Prince George's County may issue bonds in accordance with an ordinance adopted by the governing body of Prince George's County.

(e) The ordinance may specify the items listed in subsection (c) of this section or may authorize:

- (1) the finance board to specify those items by resolution or ordinance; or
- (2) the chief executive to specify those items by executive order.

(f) (1) Except as provided in paragraph (2) of this subsection, neither an ordinance authorizing the bonds nor an ordinance, resolution, or executive order issued, passed, or adopted under this section may be subject to referendum because of any other State or local law.

(2) An ordinance that authorizes the pledge of the full faith and credit of a political subdivision to the payment of principal and interest on a bond is subject to any applicable right to referendum.

§ 12-205. Issuance Conditions.

(a) A bond:

- (1) may be in bearer form;
- (2) may be registrable as to principal alone or as to both principal and interest; and
- (3) is a "security" under § 8-102 of the Commercial Law Article, whether or not the bond is one of a class or series or is divisible into a class or series of instruments.

(b) (1) A bond shall be signed manually or in facsimile by the chief executive of the issuer.

(2) An officer's signature or facsimile signature on a bond remains valid even if the officer leaves office before the bond is delivered.

(3) The clerk or other similar administrative officer of the issuer shall attest to and affix to each bond the seal of the issuer.

- (c) A bond shall mature not later than 40 years after the date of issue.
- (d) (1) The issuer may sell bonds at competitive or negotiated sale in any manner and on any terms that it considers best.
 - (2) A contract to acquire property may provide that payment shall be made in bonds.
 - (3) Bonds are exempt from §§ 19–205 and 19–206 of the Local Government Article.

§ 12–206. Bond Payment.

- (a) Bonds shall be payable from the special fund established under § 12–208 of this subtitle.
- (b) The governing body of the political subdivision or the issuer may:
 - (1) pledge its full faith and credit or other assets and revenues to pay the bonds; and
 - (2) establish a sinking fund or a debt service reserve fund for the bonds.
- (c) The assets and revenues pledged under subsection (b)(1) of this section may include any amount that the political subdivision may receive from the State under § 2–222 of the Tax – Property Article.

§ 12–207. Bond Proceeds.

- (a) Except as provided in subsections (b) and (e) of this section, bond proceeds may be used only:
 - (1) to buy, lease, condemn, or otherwise acquire property, or an interest in property:
 - (i) in the development district, a RISE zone, or a sustainable community; or
 - (ii) needed for a right-of-way or other easement to or from the development district, a RISE zone, or a sustainable community;
 - (2) for site removal;
 - (3) for surveys and studies;
 - (4) to relocate businesses or residents;
 - (5) to install utilities, construct parks and playgrounds, and for other needed improvements including:
 - (i) roads to, from, or in the development district;
 - (ii) parking; and
 - (iii) lighting;
 - (6) to construct or rehabilitate buildings for a governmental purpose or use;
 - (7) for reserves or capitalized interest;
 - (8) for necessary costs to issue bonds; and

(9) to pay the principal of and interest on loans, advances, or indebtedness that a political subdivision incurs for a purpose specified in this section.

(b) (1) This subsection applies to a sustainable community identified under § 12–203 of this subtitle.

(2) In addition to the purposes under subsection (a) of this section and without limiting the purposes in subsection (a) of this section, bond proceeds may be used in a sustainable community for:

- (i) historic preservation or rehabilitation;
- (ii) environmental remediation, demolition, and site preparation;
- (iii) parking lots, facilities, or structures of any type whether for public or private use;
- (iv) highways as defined in § 8–101 of the Transportation Article or transit service as defined in § 7–101 of the Transportation Article that support sustainable communities;
- (v) schools;
- (vi) affordable or mixed income housing; and
- (vii) stormwater management and storm drain facilities.

(c) (1) In addition to the purposes listed in subsection (a) of this section, the proceeds from bonds that Prince George’s County or the revenue authority of Prince George’s County issues may be used:

- (i) for convention, conference, or visitors’ centers;
- (ii) to maintain infrastructure improvements and convention, conference, or visitors’ centers;
- (iii) to market development district facilities and other improvements; and
- (iv) for the purpose of encouraging redevelopment in those areas listed in paragraph (2) of this subsection, to install infrastructure improvements, including:

1. streets;
2. parking structures of any type whether for public or private use;
3. utilities;
4. street lights;
5. stormwater management and storm drain facilities;
6. fencing;
7. noise walls;
8. retaining walls;
9. trails;

- 10. sidewalks;
- 11. pedestrian and vehicular bridges; and
- 12. park facilities.

(2) The purpose of the authority granted by paragraph (1)(iv) of this subsection is to encourage redevelopment in:

- (i) revitalization areas designated by the county;
- (ii) mixed use centers;
- (iii) blighted areas; and

(iv) the Developed Tier, growth corridors, and growth centers, as defined in the county General Plan.

(d) (1) In addition to the purposes listed in subsection (a) of this section, the proceeds from bonds that a municipal corporation issues may be used for the purpose of encouraging redevelopment in those areas listed in paragraph (2) of this subsection, to install infrastructure improvements, including:

- (i) streets;
- (ii) parking structures of any type whether for public or private use;
- (iii) utilities;
- (iv) street lights;
- (v) stormwater management and storm drain facilities;
- (vi) fencing;
- (vii) noise walls;
- (viii) retaining walls;
- (ix) trails;
- (x) sidewalks;
- (xi) pedestrian and vehicular bridges; and
- (xii) park facilities.

(2) The purpose of the authority granted by paragraph (1) of this subsection is to encourage redevelopment in:

- (i) revitalization areas designated by a county or municipal corporation;
- (ii) mixed use centers;
- (iii) blighted areas; and

(iv) developed areas and growth areas, as defined in a county or municipal corporation land use plan.

- (e) (1) This subsection applies to a RISE zone identified under § 12–203 of this subtitle.
- (2) In addition to the purposes under subsection (a) of this section and without limiting the purposes in subsection (a) of this section, bond proceeds may be used in a RISE zone for:
- (i) historic preservation or rehabilitation;
 - (ii) environmental remediation, demolition, and site preparation;
 - (iii) parking lots, facilities, or structures of any type whether for public or private use;
 - (iv) schools;
 - (v) affordable or mixed income housing;
 - (vi) stormwater management and storm drain facilities;
 - (vii) innovation centers and laboratory facilities, or structures of any type whether for public or private use, including maintenance and installation of improvements in the structures and services that support the purposes of the RISE zone program; and
 - (viii) any other facilities or structures of any type whether for public or private use that support the purposes of the RISE zone program.

§ 12–208. Creation of Special Fund.

- (a) The governing body of a political subdivision may adopt a resolution creating a special fund for a development district, a RISE zone, or a sustainable community even though no bonds:
- (1) have been issued for the development district or the sustainable community; or
 - (2) are outstanding at the time of adoption.
- (b) The taxes allocated to the special fund in accordance with § 12–203(a)(3)(ii) of this subtitle shall be deposited in the special fund while the resolution that created the special fund remains in effect.
- (c) Other than tax revenues received from residential properties in Prince George’s County, the tax collected under § 12–203(a)(3)(ii) of this subtitle is not considered a tax of the political subdivision for the purposes of any constant yield limitation or State or local restriction.
- (d) State real property taxes may not be paid into the special fund.

§ 12–209. Uses of Special Fund.

- (a) Subject to subsection (c) of this section, the special fund for the development district, a RISE zone, or the sustainable community may be used for any of the following purposes as determined by the governing body of the political subdivision:
- (1) a purpose specified in § 12–207 of this subtitle;
 - (2) accumulated to pay debt service on bonds to be issued later;
 - (3) payment or reimbursement of debt service, or payments under an agreement described in subsection (b) of this section, that the political subdivision is obliged under a general or limited obligation to pay, or has paid, on or relating to bonds issued by the State, a

political subdivision, or the revenue authority of Prince George's County if the proceeds were used for a purpose specified in § 12-207 of this subtitle; or

(4) payment to the political subdivision for any other legal purpose.

(b) (1) Subject to paragraph (2) of this subsection, the political subdivision that has created a special fund for a development district, a RISE zone, or a sustainable community may pledge under an agreement that amounts deposited to the special fund shall be paid over to secure payment on MEDCO obligations.

(2) The agreement shall:

(i) be in writing;

(ii) be executed by the political subdivision making the pledge, the Maryland Economic Development Corporation, and the other persons that the governing body of the political subdivision determines; and

(iii) run to the benefit of and be enforceable on behalf of the holders of the MEDCO obligations secured by the agreement.

(c) If bonds are outstanding with respect to a development district, a RISE zone, or a sustainable community, the special fund may be used as described in subsection (a) of this section in any fiscal year only if:

(1) the balance of the special fund exceeds the unpaid debt service payable on the bonds in the fiscal year; and

(2) the special fund is not restricted so as to prohibit the use.

(d) The issuance of bonds pledging the full faith and credit of the political subdivision shall comply with appropriate county or municipal charter requirements.

§ 12–210. Written Agreements to Pay Revenue from Taxes on Tax Increment into Special Fund.

(a) (1) Subject to paragraph (2) of this subsection, the governing body of a political subdivision that is not the issuer may pledge under an agreement that its property taxes levied on the tax increment shall be paid into the special fund for the development district, a RISE zone, or a sustainable community.

(2) The agreement shall:

(i) be in writing;

(ii) be executed by the governing bodies of the issuer and the political subdivision making the pledge; and

(iii) run to the benefit of and be enforceable on behalf of any bondholder.

(b) The governing body of Prince George’s County may also pledge hotel rental tax revenues to the special fund.

(c) The governing body of a political subdivision, including the issuer, may pledge by or under a resolution, including by an agreement with the issuer, as applicable, that alternative local tax revenues generated within, or that are otherwise determined to be attributable to, a development district that is a transit-oriented development, a RISE zone, a sustainable community, or a State hospital redevelopment be paid, as provided in the resolution, into the special fund to:

(1) secure the payment of debt service on bonds or MEDCO obligations; or

(2) be applied to the other purposes stated in § 12–209 of this subtitle.

§ 12–211. Exception of Bonds from Taxation.

(a) The principal amount of bonds, interest payable on bonds, the transfer of bonds, and income from bonds, including profit made in the sale or transfer of bonds, are exempt from State and local taxes.

(b) If a political subdivision leases as a lessor its property within a development district, a RISE zone, or a sustainable community:

(1) the property shall be assessed and taxed in the same manner as privately owned property; and

(2) the lease shall require the lessee to pay taxes or payments in lieu of taxes on the assessed value of the entire property and not only on the assessed value of the leasehold interest.

§ 12–212. Eminent Domain Not Authorized.

This subtitle does not authorize a county or a municipal corporation to acquire property by eminent domain.

§ 12–213. Common Subtitle Name.

This subtitle may be cited as the Tax Increment Financing Act.

Tax Property Article

§ 9-103.1. RISE Zone Tax Credit.

(a) (1) In this section the following words have the meanings indicated.

(2) “Base year” means the taxable year immediately before the taxable year in which a property tax credit under this section is to be granted.

(3) (i) “Base year value” means the value of the property used to determine the assessment on which the property tax on real property was imposed for the base year.

(ii) “Base year value” does not include any new real property that was first assessed in the base year.

(4) (i) “Business entity” means a person who operates or conducts a trade or business.

(ii) “Business entity” includes a person who owns, operates, develops, constructs, or rehabilitates real property if the real property:

1. is intended for use primarily as single or multifamily residential property located in a Regional Institution Strategic Enterprise zone that is designated under Title 5, Subtitle 14 of the Economic Development Article; and

2. is partially devoted to a nonresidential use.

(5) (i) “Eligible assessment” means the difference between the base year value and the actual value as determined by the Department for the applicable taxable year in which the tax credit under this section is to be granted.

(ii) For a business entity that is located on land or within improvements owned by the federal, State, county, or municipal government, “eligible assessment” means the difference between the base year value and the actual value reduced by the value of any property entitled to an exemption under Title 7 of this article as determined by the Department for the applicable taxable year in which the tax credit under this section is to be granted.

(6) “Qualified property” means real property that is:

(i) not used for residential purposes;

(ii) used in a trade or business by a business entity; and

(iii) located in a Regional Institution Strategic Enterprise zone that is designated under Title 5, Subtitle 14 of the Economic Development Article.

(b) The governing body of a county or of a municipal corporation shall grant a tax credit under this section against the property tax imposed on the eligible assessment of qualified property.

(c) (1) Except as otherwise provided in this subsection, the appropriate governing body shall calculate the amount of the tax credit under this section equal to a percentage of the amount of property tax imposed on the eligible assessment of the qualified property as follows:

(i) at least 50% in the first taxable year following the calendar year in which the property initially becomes a qualified property; and

(ii) at least 10% in the second through fifth taxable years.

(2) The Department shall allocate the eligible assessment to the nonresidential part of the qualified property at the same percentage as the square footage of the nonresidential part is to the total square footage of the building.

(3) For purposes of calculating the amount of the credit allowed under this section, the amount of property tax imposed on the eligible assessment shall be calculated without reduction for any credits allowed under this title.

(4) (i) For qualified property located in an enterprise zone designated under Title 5, Subtitle 7 of the Economic Development Article, the appropriate governing body shall calculate the amount of the tax credit under this section equal to 80% of the amount of property tax imposed on the eligible assessment of the qualified property for each of the 5 taxable years following the calendar year in which the property initially becomes a qualified property.

(ii) For qualified property located in a focus area designated under § 5–706 of the Economic Development Article, the appropriate governing body shall calculate the amount of the tax credit under this section equal to 100% of the amount of property tax imposed on the eligible assessment of the qualified property for each of the 5 taxable years following the calendar year in which the property initially becomes a qualified property.

(iii) 1. If a business entity is certified as consistent with the target strategy of the RISE zone and the qualified property is located in an enterprise zone or focus area, the amount of the required reimbursement under § 9–103(h) of this subtitle may only be for the amount required for the required property tax credits under § 9–103 of this subtitle.

2. The property tax credits required under subparagraphs (i) and (ii) of this paragraph do not alter the amount of funds required to be reimbursed under § 9–103(h) of this subtitle.

(5) The governing body of a county or municipal corporation may increase, by local law, the percentage under paragraph (1) of this subsection.

(6) (i) If a RISE zone is renewed as provided under § 5–1404 of the Economic Development Article, the governing body of a county or municipal corporation shall calculate the amount of the tax credit under this section equal to at least 10% of the amount of property tax imposed on the eligible assessment of the qualified property for the sixth through tenth taxable years.

(ii) The governing body of a county or municipal corporation may increase, by local law, the percentage under subparagraph (i) of this paragraph.

(d) (1) Except as provided in subsection (c)(6) of this section, a tax credit under this section is available to a qualified property for no more than 5 consecutive years beginning with the taxable year following the calendar year in which the real property initially becomes a qualified property.

(2) If the designation of a Regional Institution Strategic Enterprise zone expires, the tax credit under this section continues to be available to a qualified property.

(3) State property tax imposed on real property is not affected by this section.

(e) When a Regional Institution Strategic Enterprise zone is designated by the Secretary of Business and Economic Development, the Secretary shall certify to the State Department of Assessments and Taxation:

(1) the real properties in the zone that are qualified properties for each taxable year for which the property tax credit under this section is to be granted; and

(2) the date that the real properties became qualified properties.

(f) Before property tax bills are sent, the State Department of Assessments and Taxation shall submit to the Secretary of Business and Economic Development a list containing:

(1) the location of each qualified property;

(2) the amount of the base year value for each qualified property; and

(3) the amount of the eligible assessment for each qualified property.

ENTERPRISE ZONE INCENTIVES. TAX-GENERAL ARTICLE.

§ 10-702. Enterprise Zone Income Tax Credit.

NOTE: This Act shall take effect July 1, 2001, and shall be applicable to all taxable years beginning after December 31, 2000.

(a) (1) In this section the following words have the meanings indicated.

(2) (i) "Business entity" means:

1. a person conducting or operating a trade or business; or

2. an organization that is exempt from taxation under § 501(c)(3) or (4) of the Internal Revenue Code.

(ii) "Business entity" does not include a person owning, operating, developing, constructing, or rehabilitating property intended for use primarily as single or multifamily residential property located within the enterprise zone.

(3) (i) "Enterprise zone" has the meaning stated in § 5-701 of the Economic Development Article.

(ii) "Enterprise zone" includes a Regional Institution Strategic Enterprise zone established under Title 5, Subtitle 14 of the Economic Development Article.

(4) "Qualified employee" means an individual who:

(i) is a new employee or an employee rehired after being laid off for more than one year by a business entity;

(ii) is employed by a business entity at least 35 hours each week for at least 6 months before or during the taxable year for which the entity claims a credit;

(iii) spends at least 50% of the hours under item (ii) of this paragraph, either in the enterprise zone or on activities of the business entity resulting directly from its location in the enterprise zone;

(iv) earns at least 150% of the federal minimum wage; and

(v) is hired by the business entity after the later of:

1. the date on which the enterprise zone is designated; or

2. the date on which the business entity locates in the enterprise zone.

(5) "Economically disadvantaged individual" means an individual who is certified by provisions that the Department of Labor, Licensing, and Regulation adopts as an individual who, before becoming employed by a business entity in an enterprise zone:

(i) was both unemployed for at least 30 consecutive days and qualified to participate in training activities for the economically disadvantaged under Title II, Part B of the federal Workforce Investment Act or its successor; or

(ii) in the absence of an applicable federal act, met the criteria for an economically disadvantaged individual that the Secretary of Labor, Licensing, and Regulation sets.

(6) "Focus area" has the meaning stated in § 5-701 of the Economic Development Article.

(7) "Focus area employee" means an individual who:

(i) is a new employee or an employee rehired after being laid off for more than 1 year by a business entity;

(ii) is employed by a business entity at least 35 hours each week for at least 12 months before or during the taxable year for which the entity claims a credit;

(iii) spends at least 50 percent of the hours under item (ii) of this paragraph either in the focus area or on activities of the business entity resulting directly from its location in the focus area;

(iv) is hired by the business entity after the later of:

1. the date on which the focus area is designated; or

2. the date on which the business entity located in the focus area; and

(v) earns at least 150 percent of the federal minimum wage.

(b) (1) Any business entity that is located in an enterprise zone and satisfies the requirements of § 5-707 of the Economic Development Article may claim a credit only against the State income tax for the wages specified in subsections (c) and (d) of this section that are paid in the taxable year for which the entity claims the credit.

(2) A business entity that is located in a focus area and satisfies the requirements of § 5-707 of the Economic Development Article may claim a credit only against the State income tax for the wages specified in subsection (e) of this section that are paid to a focus area employee in the taxable year for which the entity claims the credit.

(3) An organization that is exempt from taxation under § 501(c)(3) or (4) of the Internal Revenue Code may apply the credit under this section as a credit against income tax due on unrelated business taxable income as provided under §§ 10-304 and 10-812 of this title.

(c) If a business entity does not claim an enhanced tax credit under subsection (e) of this section for a focus area employee, for the taxable year in which a business entity satisfies the requirements of § 5-707 or **§ 5-1406** of the Economic Development Article, a credit is allowed that equals:

(1) up to \$3,000 of the wages paid to each qualified employee who:

(i) is an economically disadvantaged individual; and
(ii) is not hired to replace an individual whom the business entity employed in that or any of the 3 preceding taxable years; and

(2) up to \$1,000 of the wages paid to each qualified employee who:

(i) is not an economically disadvantaged individual; and
(ii) is not hired to replace an individual whom the business entity employed in that or any of the 3 preceding taxable years.

(d) (1) If a business entity does not claim an enhanced tax credit under subsection (e) of this section for a focus area employee, for each taxable year after the taxable year described in subsection (c) of this section, while the area is designated an enterprise zone, a credit is allowed that equals:

(i) up to \$3,000 of the wages paid to each qualified employee who:

1. is an economically disadvantaged individual;
2. became a qualified employee during the taxable year to which the credit applies; and
3. is not hired to replace an individual whom the business entity employed in that or any of the 3 preceding taxable years;

(ii) up to \$2,000 of the wages paid to each qualified employee who is an economically disadvantaged individual, if the business entity received a credit under subsection (c)(1) of this section for the qualified employee in the immediately preceding taxable year; and

(iii) up to \$1,000 of the wages paid to each qualified employee who is not hired to replace an individual whom the business entity employed in that or any of the 3 preceding taxable years if the qualified employee:

1. is an economically disadvantaged individual for whom the business entity received a credit under subsection (c)(1) of this section or item (i) of this paragraph and a credit under item (ii) of this paragraph in the 2 immediately preceding taxable years; or
2. is not an economically disadvantaged individual but became a qualified employee during the taxable year to which the credit applies.

(2) A business entity that hires a qualified employee to replace another qualified employee for whom the business entity received a credit under subsection (c)(1) of this section and paragraph (1)(ii) of this subsection in the immediately preceding taxable year may treat the new qualified employee as the replacement for the other qualified employee to determine any credit that may be available to the business entity under paragraph (1)(ii) or (iii) of this subsection.

(e) (1) For the taxable year in which a business entity satisfies the requirements of §§ 5-706 and 5-707 or **§ 5-1406** of the Economic Development Article, a credit is allowed that equals:

(i) up to \$4,500 of the wages paid to each focus area employee who:

1. is an economically disadvantaged individual; and

2. is not hired to replace an individual whom the business entity employed in that year or any of the 3 preceding taxable years; and

(ii) up to \$1,500 of the wages paid to each focus area employee who:

1. is not an economically disadvantaged individual; and

2. is not hired to replace an individual whom the business entity employed in that year or any of the 3 preceding taxable years.

(2) For each taxable year after the taxable year described in paragraph (1) of this subsection, while the area is designated a focus area, a credit is allowed that equals:

(i) up to \$4,500 of the wages paid to each focus area employee who:

1. is an economically disadvantaged individual;

2. became a focus area employee during the taxable year to which the credit applies; and

3. is not hired to replace an individual whom the business entity employed in that year or any of the 3 preceding taxable years;

(ii) up to \$3,000 of the wages paid to each focus area employee who is an economically disadvantaged individual, if the business entity received a credit under paragraph (1)(i) of this subsection for the focus area employee in the immediately preceding taxable year; and

(iii) up to \$1,500 of the wages paid to each focus area employee who is not hired to replace an individual whom the business entity employed in that year or any of the 3 preceding taxable years if the focus area employee:

1. is an economically disadvantaged individual for whom the business entity received a credit under item (ii) of this paragraph in the 2 immediately preceding taxable years and under:

A. paragraph (1)(i) of this subsection; or

B. item (i) of this paragraph; or

2. is not an economically disadvantaged individual but became a focus area employee during the taxable year to which the credit applies.

(3) A business entity that hires a focus area employee to replace another focus area employee for whom the business entity received a credit under paragraph (1)(i) of this subsection and paragraph (2)(ii) of this subsection in the immediately preceding taxable year may treat the focus area employee as the replacement for the other focus area employee to determine any credit that may be available to the business entity under paragraph (2)(ii) or (iii) of this subsection.

(f) If the credit allowed under this section in any taxable year exceeds the State income tax for that taxable year, a business entity may apply the excess as a credit against the State income tax for succeeding taxable years until the earlier of:

(1) the full amount of the excess is used; or

(2) the expiration of the 5th taxable year from the date on which the business entity hired the qualified employee to whom the credit first applies.

(g) If a credit is claimed under this section, the claimant must make the addition required in § 10-205, § 10-206, or § 10-306 of this title.