HOUSE BILL 1533

C8, Q4 6lr3412 CF SB 1062

By: Delegates P. Young, Aumann, Brooks, Cluster, Ebersole, Grammer, Hettleman, Jalisi, Krimm, Lafferty, Lam, Lisanti, Luedtke, Metzgar, Miele, Sydnor, West, and K. Young K. Young, Afzali, Long, and Patterson

Introduced and read first time: February 19, 2016 Assigned to: Rules and Executive Nominations Re-referred to: Ways and Means, February 26, 2016

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 16, 2016

| CHAPTER | |
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1 AN ACT concerning

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Enterprise Zones - Target Redevelopment Areas - Designation and Baltimore
County - Sales and Use Tax Exemption - Redevelopment Areas

FOR the purpose of authorizing a certain political subdivision to request that the Secretary of Commerce designate all or a part of a certain enterprise zone as a target redevelopment area for a certain period of time; providing that the request may be made on or before a certain submission date; requiring the Secretary to grant the request under certain circumstances; authorizing a person to apply to the Department of Economic Competitiveness and Commerce to certify that a construction project located in a certain target redevelopment area is a project for which the purchase of certain construction material or warehousing equipment is entitled to a certain exemption from the sales and use tax; providing an exemption from the sales and use tax for certain construction material or warehousing equipment used on certain property in certain areas in Baltimore County under certain circumstances; requiring a buyer claiming the exemption to provide certain evidence to a vendor; providing that a person who utilizes certain exempt construction material or warehousing equipment for a purpose other than for a certain project is guilty of a misdemeanor and subject to a certain penalty; defining certain terms; providing for the termination of this Act; and generally relating to enterprise zones and the sales and use tax.

BY repealing and reenacting, without amendments,

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

<u>Underlining</u> indicates amendments to bill.

Strike out indicates matter stricken from the bill by amendment or deleted from the law by amendment.



| $\frac{1}{2}$ | Article - Economic Development Section 5-701(a), (d), and (f) |
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| 3 | Annotated Code of Maryland |
| 4 | (2008 Volume and 2015 Supplement) |
| 5 | BY adding to |
| 6 | Article - Economic Development |
| 7 | Section 5-706.1 |
| 8 | Annotated Code of Maryland |
| 9 | (2008 Volume and 2015 Supplement) |
| 10 | BY adding to |
| 11 | Article - Tax - General |
| 12 | Section 11–232 and 13–1032 |
| 13 | Annotated Code of Maryland |
| 14 | (2010 Replacement Volume and 2015 Supplement) |
| 15 16 | SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows: |
| 17 | Article - Economic Development |
| 18 | 5–701. |
| 19 | (a) In this subtitle the following words have the meanings indicated. |
| 20 | (d) "Enterprise zone" means an area: |
| 21 22 | (1) that meets the requirements of § 5–704(a) of this subtitle and is designated as an enterprise zone by the Secretary under § 5–704(b) of this subtitle; |
| 23 24 | (2) designated as an enterprise zone by the United States government under 42 U.S.C. §§ 11501 through 11505; or |
| 25 26 | (3) designated as an empowerment zone or enterprise community by the United States government under 26 U.S.C. §§ 1391 through 1397F. |
| 27 | (f) "Political subdivision" means a county or municipal corporation. |
| 28 | 5-706.1. |
| 29 | (A) A POLITICAL SUBDIVISION MAY REQUEST THE SECRETARY TO |
| 30 | DESIGNATE ALL OR PART OF AN ENTERPRISE ZONE AS A TARGET REDEVELOPMENT |
| 31 | AREA FOR THE LESSER OF: |
| 32 | (1) 5 YEARS; OR |

(1) 5 YEARS; OR

- 1 (2) THE REMAINDER OF THE 10-YEAR TERM OF THE APPLICABLE 2 ENTERPRISE ZONE.
- 3 (B) THE REQUEST MAY BE MADE ON OR BEFORE THE DATE THAT THE
 4 POLITICAL SUBDIVISION APPLIES FOR THE DESIGNATION OF A NEW ENTERPRISE
 5 ZONE OR AFTER THE SECRETARY HAS DESIGNATED AN ENTERPRISE ZONE.
- 6 (C) THE SECRETARY SHALL GRANT THE REQUEST IF:
- 7 (1) THE AREA IS LOCATED IN AN ENTERPRISE ZONE; AND
- 8 (2) THE SECRETARY DETERMINES THAT THE AREA CONSISTS OF
 9 PARCELS THAT ARE PREDOMINANTLY DETERIORATED, UNDERUTILIZED, OR
 10 VACANT.
- 11 (D) A PERSON MAY APPLY TO THE DEPARTMENT TO CERTIFY THAT A
 12 CONSTRUCTION PROJECT LOCATED IN A TARGET REDEVELOPMENT AREA
 13 DESIGNATED UNDER THIS SECTION IS A PROJECT FOR WHICH THE PURCHASE OF
 14 CONSTRUCTION MATERIAL OR WAREHOUSING EQUIPMENT IS ENTITLED TO A SALES
 15 AND USE TAX EXEMPTION UNDER § 11—232 OF THE TAX—GENERAL ARTICLE.
- 16 Article Tax General
- 17 **11–232.**

REAL PROPERTY.

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- 18 **(A) (1)** IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS 19 INDICATED.
- 20 (2) (I) "CONSTRUCTION MATERIAL" MEANS AN ITEM OF TANGIBLE 21 PERSONAL PROPERTY THAT IS USED TO CONSTRUCT OR RENOVATE A BUILDING, A 22 STRUCTURE, OR AN IMPROVEMENT ON LAND AND THAT TYPICALLY LOSES ITS 23 SEPARATE IDENTITY AS PERSONAL PROPERTY ONCE INCORPORATED INTO THE
- 25 (II) "CONSTRUCTION MATERIAL" INCLUDES BUILDING 26 MATERIALS, BUILDING SYSTEMS EQUIPMENT, LANDSCAPING MATERIALS, AND 27 SUPPLIES.
- 28 (3) "QUALIFIED PROJECT" MEANS A CONSTRUCTION PROJECT THAT
 29 IS LOCATED IN A TARGET REDEVELOPMENT AREA AND FOR WHICH, AS CERTIFIED BY
 30 THE DEPARTMENT OF ECONOMIC COMPETITIVENESS AND COMMERCE UNDER §
 31 5-706.1 OF THE ECONOMIC DEVELOPMENT ARTICLE, THE PURCHASE OF
 32 CONSTRUCTION MATERIAL OR WAREHOUSING EQUIPMENT IS ENTITLED TO THE

SALES AND USE TAX EXEMPTION UNDER THIS SECTION.

| 1 | (4) "TARGET REDEVELOPMENT AREA" MEANS AN AREA DESIGNATED |
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| 2 | AS A TARGET REDEVELOPMENT AREA UNDER § 5-706.1 OF THE ECONOMIC |
| 3 | DEVELOPMENT ARTICLE. |

- 4 (5) (3) "WAREHOUSING EQUIPMENT" MEANS EQUIPMENT USED 5 FOR MATERIAL HANDLING AND STORAGE, INCLUDING RACKING SYSTEMS, 6 CONVEYING SYSTEMS, AND COMPUTER SYSTEMS AND EQUIPMENT.
- 7 (B) THE SALES AND USE TAX DOES NOT APPLY TO A SALE OF CONSTRUCTION 8 MATERIAL OR WAREHOUSING EQUIPMENT, IF:
- 9 (1) THE MATERIAL OR EQUIPMENT IS PURCHASED BY A PERSON FOR
 10 USE IN A QUALIFIED PROJECT ON PROPERTY OWNED OR LEASED BY THE PERSON ON
 11 A PRIVATELY OWNED INDUSTRIAL COMPLEX IN BALTIMORE COUNTY THAT WAS
 12 OWNED BY BETHLEHEM STEEL CORPORATION, OR ANY OF ITS SUBSIDIARIES, AND
 13 IS REDEVELOPED; AND
- 14 (2) THE PURCHASER BUYER PROVIDES THE VENDOR A-COPY OF THE
 15 CERTIFICATION ISSUED BY THE DEPARTMENT OF ECONOMIC COMPETITIVENESS
 16 AND COMMERCE WITH EVIDENCE OF ELIGIBILITY FOR THE EXEMPTION ISSUED BY
 17 THE COMPTROLLER.
- 18 **13-1032.**
- 19 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS 20 INDICATED.
- 21 **(2) "EXEMPTED CONSTRUCTION MATERIAL" MEANS CONSTRUCTION**22 **MATERIAL ON WHICH NO SALES AND USE TAX WAS PAID IN ACCORDANCE WITH §**23 **11–232 OF THIS ARTICLE.**
- 24 **(3)** "EXEMPTED WAREHOUSING EQUIPMENT" MEANS WAREHOUSING
 25 EQUIPMENT ON WHICH NO SALES AND USE TAX WAS PAID IN ACCORDANCE WITH §
 26 11–232 OF THIS ARTICLE.
- 27 **(4) "QUALIFIED PROJECT" HAS THE MEANING STATED IN § 11–232 OF**28 **THIS ARTICLE.**
- 29 (B) A PERSON WHO USES EXEMPTED CONSTRUCTION MATERIAL OR
 30 EXEMPTED WAREHOUSING EQUIPMENT FOR A PURPOSE OTHER THAN FOR A
 31 QUALIFIED PROJECT IS GUILTY OF A MISDEMEANOR AND, ON CONVICTION, IS
 32 SUBJECT TO A FINE NOT EXCEEDING \$5,000 OR IMPRISONMENT NOT EXCEEDING 5
 33 YEARS OR BOTH.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect 1 2 October 1, 2016. July 1, 2016. It shall remain effective for a period of 5 years and, at the 3 end of June 30, 2021, with no further action required by the General Assembly, this Act shall be abrogated and of no further force and effect. Approved: Governor.

President of the Senate.

Speaker of the House of Delegates.