

# SENATE BILL 641

Q3

7lr1668  
CF HB 1119

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By: **Senator Manno**

Introduced and read first time: February 3, 2017

Assigned to: Budget and Taxation

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Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 17, 2017

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Income Tax Credit – Endow Maryland – Credit Amounts**

3 FOR the purpose of altering the total amount of State income tax credits the Department  
4 of Housing and Community Development is authorized to issue in a taxable year for  
5 donations to certain qualified permanent endowment funds at certain community  
6 foundations; providing for the application of this Act; and generally relating to a  
7 State income tax credit for certain donations to certain endowment funds.

8 BY repealing and reenacting, with amendments,  
9 Article – Tax – General  
10 Section 10–736  
11 Annotated Code of Maryland  
12 (2016 Replacement Volume)

13 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
14 That the Laws of Maryland read as follows:

15 **Article – Tax – General**

16 10–736.

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

18 (2) “Department” means the Department of Housing and Community  
19 Development.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

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



1 (3) “Donation” means an irrevocable gift worth \$500 or more of:

2 (i) cash; or

3 (ii) publicly traded securities.

4 (4) “Eligible community foundation” means an organization that:

5 (i) is exempt from taxation under § 501(c)(3) of the Internal Revenue  
6 Code;

7 (ii) is commonly known as a community trust, fund, endowment, or  
8 foundation or by another similar name that conveys the concept of a capital or endowment  
9 fund to support charitable activities in the community or area that it serves;

10 (iii) satisfies the public support test of § 170(b)(1)(A)(vi) of the  
11 Internal Revenue Code and regulations adopted under that section; and

12 (iv) is in compliance with national standards for United States  
13 community foundations established by the Community Foundations National Standards  
14 Board within the Council on Foundations.

15 (5) “Qualified permanent endowment fund” means a fund that:

16 (i) is held in perpetuity by an eligible community foundation;

17 (ii) is used for the benefit of charitable causes in the State; and

18 (iii) has an annual spending rate of 5% or less calculated using a  
19 12–quarter trailing average of the total amount of the fund.

20 (b) (1) Subject to the limitations of this section, for the taxable year in which  
21 a taxpayer makes a donation to a qualified permanent endowment fund at an eligible  
22 community foundation, the taxpayer may claim a credit against the State income tax in the  
23 amount stated on the tax credit certificate issued under subsection (c) of this section.

24 (2) If the credit allowed under this section in any taxable year exceeds the  
25 State income tax for that taxable year, any unused credit may be carried forward and  
26 applied for succeeding taxable years until the earlier of:

27 (i) the full amount of the credit is used; or

28 (ii) the expiration of the fifth year after the taxable year for which  
29 the credit was allowed.

1 (c) (1) On application by a taxpayer, the Department shall issue a credit  
2 certificate in the amount of 25% of a proposed donation to a qualified permanent  
3 endowment fund at an eligible community foundation that meets the requirements of this  
4 section.

5 (2) The application shall contain:

6 (i) the names of the taxpayer, the eligible community foundation,  
7 and the qualified permanent endowment fund to which the donation will be made;

8 (ii) the taxable year in which the donation will be made;

9 (iii) the amount of the donation; and

10 (iv) any other information that the Department requires.

11 (3) For any taxable year, the maximum amount of tax credit stated in the  
12 tax credit certificate may not exceed \$50,000.

13 (4) The Department shall:

14 (i) reserve for each taxable year at least 10% of the available credits  
15 for donations of \$30,000 or less; and

16 (ii) approve all applications that qualify for a tax credit certificate  
17 under this subsection:

18 1. on a first-come, first-served basis; and

19 2. in a timely manner.

20 (5) (i) For each taxable year, the total amount of tax credit certificates  
21 certified by the Department under this section may not exceed ~~[\$250,000] \$1,000,000~~  
22 **\$500,000**.

23 (ii) If the aggregate amount of tax credit certificates authorized  
24 under this section during a taxable year total less than the amount authorized under this  
25 paragraph, any excess amount may be authorized under tax credit certificates for the next  
26 taxable year.

27 (d) On or before January 31 of each taxable year, the Department shall report to  
28 the State Department of Assessments and Taxation and the Comptroller the donations that  
29 the Department has approved for tax credit certificates under this section during the prior  
30 taxable year.

1 (e) The Department shall adopt regulations to carry out the provisions of this  
2 section, including the criteria and procedures for application for, approval of, and  
3 monitoring eligibility for the tax credit authorized under this section.

4 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
5 1, 2017, and shall be applicable to all taxable years beginning after December 31, 2017.

Approved:

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Governor.

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President of the Senate.

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Speaker of the House of Delegates.