

STATE ENTERPRISE ZONE BENEFITS

IN THE CITY OF SALISBURY/WICOMICO COUNTY

If you are planning to relocate your company, or are already located within the Salisbury/Wicomico Enterprise Zone, you may be eligible for Maryland Enterprise Zone tax credits. A business is eligible if it makes a capital investment in its property (i.e., constructs or renovates a building, or expands an existing facility), or hires two or more new employees in the zone. The two basic benefits involve credits on property taxes and state income taxes. Commercial as well as industrial concerns are eligible.

The Property Tax Credit

This special 10-year credit is available to companies that locate, expand or substantially improve business properties in the Enterprise Zone. The property tax credit is equal to 80% of the difference between the base year value of the property (the assessment in the year prior to new construction, expansion, or substantial improvement) and the assessed value of the property after the investment is made. The property tax credit is 80% for five years. During the last five years, the property tax credit declines 10% annually; the credit is 70%, 60%, 50%, 40% and 30%, respectively.

An example: first year of tax credit

	<u>Base Year</u>	<u>Current Year</u>	<u>Difference</u>
Assessed Value	\$100,000	\$200,000	\$100,000
Tax @ \$1.72*/100	1,754	3,508	1,754
Tax Credit @ 80%			1,403

\*Combined City and County Real Property Tax Rate.

Total Local Property Taxes Paid = \$3,508 (current year) - \$1,403 (tax credit) = \$2,105.

The granting of an Enterprise Zone property tax credit is affected by the timing of the completion of capital improvements and the assessments of these improvements. Businesses which receive a partial year tax bill, because the capital improvements are not completed until after July 1st, must wait until the following July 1st tax bill to receive the property tax credit. As well, a company must be certified by December 31st in order to receive a credit on the following July 1st tax bill.

The amount of the Aeligible assessment@, on which the property tax credit will be calculated, equals the difference between the Abase year@ assessment in the taxable year prior to receiving the credit for making capital improvements, and the new Aactual@ assessment in the taxable year in which the credit is granted.

The State Income Tax Credit

The tax credit is applied to your state income taxes, and its value is based on the number and type of new employees hired by the business. The credit is for a portion of the wages of employees who meet all of the following criteria:

1. Must have been hired after the date on which the Enterprise Zone was designated or the date on which the business relocated in the Enterprise Zone, whichever is later.
2. Must be filling a new position or replacing an employee who was previously certified as economically disadvantaged.
3. Must have been employed at least 35 hours a week for at least six months.
4. Must be paid at least 150% of the federal minimum wage throughout his or her employment by a business entity before or during the taxable year for which the entity claims a credit.
5. Must have spent at least half of his or her working hours in the Enterprise Zone or on activities directly resulting from the business location in the zone.
6. Must be a new employee or an employee rehired after being laid off by the business for n

There are two types of income tax credits. If the employee is economically disadvantaged (as determined by the Maryland Jobs Service), you may take a credit up to \$3,000 of the employee=s wages in the first year of employment. The credit is \$2,000 in the second year, and \$1,000 in the third. If the employee is not economically disadvantaged, you may still take a \$1,000 credit in the first year.

In addition to Enterprise Zone Credits, your firm may also be entitled to other state and federal credits for creating new jobs or hiring targeted employees. (For a complete list of State business income tax credits, please refer to Form 500CR, which is available at The State Comptroller=s web site, or at State Comptroller=s local offices.)

#### How to Obtain the Property and Income Tax Credits

The first step for a business is to be certified as eligible within the Enterprise Zone by the City of Salisbury and Wicomico County. In a simple application, the company provides basic information, including any employment and investment plans.

In order to be eligible the business must comply with the following City and County regulations:

- Zoning
- Subdivision Regulations
- Building Codes
- Permits Requirements

- Meeting the limitations of the City's sewer use ordinance; State and Local storm water management codes and regulations

In addition, the business must have created two or more jobs and/or must have invested \$50,000 or more in the property.

The enterprise zone administrator reviews the application and forwards a recommendation to the City and County Councils. If the designation is approved by both bodies, the Enterprise Zone administrator sends a letter of certification to the business. The appropriate state agencies are notified of the certification. This process is simple but essential; delay can result in the loss of tax benefits.

The property tax credit is processed by the State Department of Assessments and Taxation. The application must be made and the zone administrator should certify the property's eligibility by December 31st in order to receive the tax credit on the next July 1st tax bill.

In order to receive the 3-year state income tax credit of \$6,000 (as well as the federal income tax credit) a new employee must be certified as economically disadvantaged by the Maryland Jobs Service. Contact Mr. Robert Young, Associate Director, State Department of Assessments and Taxation, Special Programs, 301 West Preston Street, Baltimore, Maryland 21201, for more information on this certification process.

The state income tax credit can be taken retroactively; that is, the employee can be certified after beginning employment with the business.

The one-year \$1,000 state income tax credit for new employees not meeting the economically disadvantaged criteria needs no special employee certification by the State or City.

Employers simply attach Maryland Form 500CR (the Business Tax Credits form) to a state income tax return claiming the credit. You must retain documentation of your business certification by the City of Salisbury, and when appropriate, employee certification by the Department of Employment and Training and/or payroll records.

For further information or questions regarding the Enterprise Zone, please feel free to call Mr. John R. Pick at the City of Salisbury, 410-548-3100.

Enterprise Zone - Those who receive information and forms on new Enterprise Zone businesses:

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Comptroller of the Treasury  
Revenue Administration Division  
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Phone: 410-260-7021

Mr. Robert Young, Associate Director  
State Department of Assessments and Taxation  
Special Programs  
310 West Preston Street  
Baltimore, MD 21201  
Phone: 410-767-1191

Mr. David J. Ghee, Coordinator  
Tax Credits Unit  
Maryland Department of Labor, Licensing and Regulation  
Employment Services  
1100 N. Eutaw Street  
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Phone: 410-767-2080

Mr. Mark Vulcan, Enterprise Zone Administer  
Office of Business and Economic Research  
Division of Marketing  
Maryland Department of Business and Economic Development  
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Maryland Job Service  
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