

An Enterprise Zone is an area of a county, city or town in which state and local incentives and assistance are offered to encourage the expansion of existing businesses and the attraction of new business activity and jobs. The County's Enterprise Zone Program is administered by the Prince George's County Economic Development Corporation.

In order to help revitalize severely distressed communities, with the help of its Legislative Delegation, Prince George's County was able to enact House Bill 1155 during the 2001 session, which enhanced the Enterprise Zones and *Focus Area* benefits. State Enterprise Zone income tax incentives offered within *Focus Areas* are essentially doubled, along with deepening the local real estate tax credit and adding a local business personal property tax credit.

To facilitate economic growth in the Prince George's County Enterprise Zone, special State and Local incentives are offered to encourage:

- Private sector investment for new development projects.
- Renovation and rehabilitation of existing commercial facilities.
- New business locations.
- Existing business expansions.
- New job creation.

In the Enterprise Zone *Focus Areas*, where economic distress is greater, an enhanced incentive package is available to stimulate economic development activity.

What are the Prince George's County Enterprise Zone Incentives?

- State Income Tax Credits
- Local Real Property Tax Credits
- Accelerated County Permitting Process

In addition to an enhanced level of state income tax credits, businesses locating or expanding in an Enterprise Zone *Focus Area* are also eligible for:

- Local Business Personal Property Tax Credits

How do I qualify?

First, businesses wishing to take advantage of any of the Enterprise Zone incentives, must file an Enterprise Zone Certification Application with the Prince George's County Economic Development Corporation. This application can be obtained by contacting:

Prince George's County Enterprise Zone Administrator
1801 McCormick Drive
Suite 350
Largo, MD. 20774
Ph. (301) 583-4650
Fax. (301) 772-8540

The application will be reviewed by the Enterprise Zone Administrator to determine if the property is located in the Prince George's County Enterprise Zone. A certification letter will be sent to the applicant. This letter allows the applicant to take advantage of Enterprise Zone Incentives.

How does the State Income Tax Credit Program Work?

The State Income Tax Credit allows businesses to take credits against Maryland income tax for new job creation. These credits are more valuable than deductions because they are subtracted directly from the total state income tax liability of the business.

There are two types of State Income Tax Credits:

- A general one-time credit for hiring an employee who meets the requirements for employment in the Enterprise Zone.
- A credit for hiring an "economically disadvantaged" employee who meets the requirements for employment in the Enterprise Zone.

How much credit does a business receive?

Businesses can receive a one-time credit of \$1,000 for each new employee meeting the Enterprise Zone employment requirements. Businesses can take a \$6,000 credit, over a three-year period, for each new employee meeting the Enterprise Zone employment requirements who is "economically disadvantaged".

This \$6,000 credit is earned at the following rate: \$3,000 in the first year, \$2,000 the second year, and \$1,000 in year three.

In the Enterprise Zone *Focus Areas* these credits are enhanced.

New job creation in an Enterprise Zone *Focus Area* can result in a one-time credit of \$1,500 for each new employee meeting the Enterprise Zone employment requirements.

New job creation in an Enterprise Zone *Focus Area* can result in a \$9,000 credit, over a three-year period, for each new employee meeting the Enterprise Zone employment requirements who is "economically disadvantaged". This \$9,000 credit is earned at the following rate: \$4,500 in the first year, \$3,000 the second year, and \$1,500 in year three.

What are the Enterprise Zone Employment Requirements?

- The employee must have been hired to fill a newly created position. The credit may not be taken for replacing an existing employee.

- The employee must work at least 35 hours per week.
- The employee must earn at least 150% of the federal minimum wage
- The employee must be employed for at least six months before or during the taxable year for which the credit is taken. To take the larger Income Tax Credit in the *Focus Area*, the employee must be employed for at least 12 months before or during the taxable year for which the credit is taken.
- The employee must spend 50% of all work time in the Enterprise Zone or on activities of the business entity resulting directly from its location in the Enterprise Zone.
- The employee must have been hired after the business was located in the Enterprise Zone or after the zone was designated.

What is an “economically disadvantaged” employee?

An economically disadvantaged employee is an individual who is a member of a family which had an income during the 6 months immediately prior to the hiring date, which on an annual basis, would be 70% or less of the Bureau of Labor Statistics Lower Living Standard. In order to claim the larger tax credit for hiring an economically disadvantaged employee, a certification of eligibility for the employee must be obtained from the Maryland Job Service, Department of Labor, Licensing and Regulation.

How do I obtain a certification of eligibility for an employee from the Maryland Job Service?

If your business is interested in hiring economically disadvantaged employees in order to claim the larger state income tax credit, you should contact the Maryland Job Service before you hire. This office screens potential applicants and maintains an existing pool of eligible individuals. Applicants meeting the qualifying income standards for an “economically disadvantaged” employee will be given a voucher by the Maryland Job Service. This voucher is used to claim the tax credit and must be submitted with the firm’s tax return.

What if my business has already hired an employee for a newly created position and I want to take the “economically disadvantaged” tax credit?

If your business has already hired an employee, and the position meets the Enterprise Zone employment requirements, the Maryland Job Service can certify the employee retroactively under the following conditions:

- Availability of income data for the six months prior to the individual’s hiring date.
- The hiring date of the employee must be after the date on which the business received Enterprise Zone Certification by the Prince George’s County Economic Development Corporation.

How do I claim the Enterprise Zone Income Tax Credit?

Maryland Tax Form 500CR is used to claim this credit. Simply fill it out and include it in your state income tax return, along with Maryland Job Service certification of eligibility for any employee(s) for which you are claiming the larger economically disadvantaged tax credit.

What if the business does not have enough State income tax liability to use all of the credit?

The Enterprise Zone State Income tax credits may be carried forward for up to five years.

Can I take other Federal and State job creation tax credits if I take the Enterprise Zone Income Tax Credits?

Yes. The Enterprise Zone State Income Tax Credit may be combined with the Maryland Job Creation Tax Credit and other state income tax credits. It also has no effect on eligibility for any federal income tax credits. A firm cannot, however, receive both the one-time Enterprise Zone state income tax credit for a regular employee and the larger economically disadvantaged tax credit for the same employee.

What is the Real Property Tax Credit?

Businesses locating or expanding in the Enterprise Zone can receive a 10- year Real Property Tax Credit for the “eligible” assessment and subsequent increases to real property taxes resulting from new construction or improvements to real property.

What is a “qualified property?”

“Qualified property” means real property that is:

- Not used for residential purposes (for mixed-use properties, allocation of 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)
- Used in a trade or business

Businesses must work with EDC staff to identify which incentives they qualify for, under the Enterprise Zone Program.

Is this credit applied to my entire Real Property Tax Bill?

No. This credit is for property taxes on the “eligible” assessment only, the difference between the base year assessment and the assessment of the property for the first year in which the credit applies.

If my business locates in the Enterprise Zone, purchases a building, but makes no improvements in the first year, can I take the Real Property Tax Credit for my first tax bill?

No. The Real Property Tax Credit can only be taken for increases to property taxes resulting from improvements to real property.

What if I purchase land and don’t develop the property?

To be eligible a qualified property must be used in a trade or business. Vacant land is generally ineligible to receive the tax credit unless it is required or used in conjunction with the parcel that contains the building (e.g., parking area).

Can the credit be applied to mixed-use or residential property?

Any portion of a property devoted to residential use (e.g., multifamily apartments) may not receive the credit. Property developed for mixed residential and nonresidential use will have the eligible assessment be allocated to the nonresidential portion of the qualified property.

How is the Real Property Tax Credit Applied?

The credit is applied as follows: 80% of the applicable property tax for the first five years, 70% in year six, 60% in year seven, 50% in year eight, 40% in year nine, and 30% in the tenth year.

Businesses located in an Enterprise Zone *Focus Area* will receive a credit for 80% of the property tax on the eligible assessment for each of the 10 years.

How do I claim the Real Property Tax Credit?

To claim the Real Property Tax Credit, the Enterprise Zone Administrator must certify the property to the Department of Assessments and Taxation. This is done with a letter indicating the name and address of the property owner and property tax account number. A copy of this letter is sent to the Maryland Department of Assessments and Taxation (SDAT) and the local tax assessor.

Further evaluation will be performed by the SDAT to determine if your property improvements meet the criteria for the credit. SDAT's role in the Enterprise Zone Tax Credit process is to determine the Base and Eligible Assessment value; value any change as a result of the capital improvement at the appropriate time; and track the eligible assessment for a period of 10 years. The figures are reported to the County's Office of Finance and the credit is applied towards the tax bill. The credit is only applicable to taxes levied by the County or City and local Municipal Corporation.

When can I expect to receive the real property tax credit?

In order to take advantage of the real property tax credit for the next taxable year beginning on July 1 when the tax bill is actually issued, applications must be submitted and the company certified as eligible by December 31st of the preceding calendar year.

A businesses must be certified by the end of the calendar year in order to be eligible to begin receiving Enterprise Zone tax credits the following July 1. The granting of an Enterprise Zone property tax credit is also affected by the timing of the completion of capital improvements and the assessment of these improvements.

Generally, businesses which receive a partial year tax bill for their newly constructed capital improvements which resulted in an increase in assessment value over \$100,000 must wait to receive the property tax credit until the July 1 tax bill. A property that is certified as qualified prior to December 31, but has not completed their capital improvements by the following July 1, will have the credit 10 year term applied to their account. The lack of any increase in eligible assessment value or vacant status of land until the project is completed and assessed will likely yield little or no credit for affected tax years.

Once new construction, expansion, or rehabilitation has been completed, please notify us to request SDAT to reassess your property.

What is the Business Personal Property Tax Credit Program?

The Business Personal Property Tax Credit can only be claimed by businesses located in the Enterprise Zone *Focus Areas*. This program provides a 10-year business personal property tax credit of 80% of the amount of tax otherwise due on new qualified business personal property. Additional information on how to claim this credit can be obtained by contacting:

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