

# HOUSE BILL 1284

Q3, Q4, Q7

0lr1629

---

By: **Delegates Moon and Palakovich Carr**

Introduced and read first time: February 7, 2020

Assigned to: Ways and Means

---

## A BILL ENTITLED

1 AN ACT concerning

2 **State Tax Credits, Exemptions, and Deductions – Alterations and Repeal**  
3 **(Tax Modernization Act)**

4 FOR the purpose of repealing certain provisions allowing qualified business entities to  
5 claim a certain refund under the One Maryland Economic Development Tax Credit  
6 program under certain circumstances; authorizing a qualified business entity to  
7 carry forward, rather than claim a refund for, any excess tax credit under the  
8 aerospace, electronics, or defense contract tax credit program; repealing an  
9 exemption from the inheritance tax for property donated to certain nonprofit  
10 organizations and for certain property that is certain accrued income; repealing a  
11 certain discount that a licensed dealer or licensed special fuel seller is allowed to  
12 deduct under the motor fuel tax; repealing a provision of law that allows any amount  
13 of film production activity tax credits not issued in a fiscal year to be carried forward  
14 and issued in a subsequent fiscal year; limiting a certain tax credit for certain costs  
15 incurred to obtain federal security clearances by certain small businesses;  
16 authorizing a qualified investor to carry forward, rather than claim a refund for, any  
17 excess tax credit under the cybersecurity investment tax credit program; requiring  
18 any excess amount appropriated to the Maryland Cybersecurity Investment Tax  
19 Credit Reserve Fund in a fiscal year to revert to the General Fund; altering eligibility  
20 for a certain tax credit for certain qualified vehicles; requiring any excess amount of  
21 tax credits not issued in a fiscal year under the More Jobs for Marylanders program  
22 to revert to the General Fund, rather than remaining in the More Jobs for  
23 Marylanders Tax Credit Reserve Fund; repealing certain sales and use tax  
24 exemptions for sales relating to vending machine snack foods, the production of  
25 concrete and baked goods, precious metal bullion or coins, the right to occupy certain  
26 corporate lodging facilities as a transient guest, and certain warehousing equipment  
27 used in a target redevelopment area; altering a certain exemption from the tobacco  
28 tax for tobacco brought into the State by certain consumers; repealing an obsolete  
29 provision; making conforming changes; and generally relating to credits, exemptions,  
30 and deductions under the State income, inheritance, motor fuel, sales and use, and  
31 tobacco taxes.

---

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 BY repealing and reenacting, with amendments,  
2 Article – Economic Development  
3 Section 6–403(e) and 6–703(c)  
4 Annotated Code of Maryland  
5 (2018 Replacement Volume and 2019 Supplement)

6 BY repealing and reenacting, without amendments,  
7 Article – Economic Development  
8 Section 6–703(b)  
9 Annotated Code of Maryland  
10 (2018 Replacement Volume and 2019 Supplement)

11 BY repealing  
12 Article – Tax – General  
13 Section 7–203(j), 9–315, 11–206(g), 11–214.1, and 11–231  
14 Annotated Code of Maryland  
15 (2016 Replacement Volume and 2019 Supplement)

16 BY repealing and reenacting, with amendments,  
17 Article – Tax – General  
18 Section 7–203(e) and (k) through (m), 10–730(f), 10–732(a) through (d), 10–733(d)  
19 and (f)(3)(iii) and (4), 10–734.1(b), 10–741(b) and (d), 11–206(h), 11–210,  
20 11–232, and 12–104(b)  
21 Annotated Code of Maryland  
22 (2016 Replacement Volume and 2019 Supplement)

23 BY repealing and reenacting, without amendments,  
24 Article – Tax – General  
25 Section 10–733(f)(1), (2), and (3)(i) and (ii) and 10–734.1(a)  
26 Annotated Code of Maryland  
27 (2016 Replacement Volume and 2019 Supplement)

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

30 **Article – Economic Development**

31 6–403.

32 (e) (1) Subject to the limitation in paragraph [(4)] **(3)** of this subsection, this  
33 subsection applies to any taxable year after the 4th credit year.

34 (2) [A qualified business entity other than a person subject to taxation  
35 under Title 6 of the Insurance Article may claim a refund in the amount, if any, by which  
36 the qualified business entity’s unused excess exceeds the State tax for the taxable year.

(3)] A qualified business entity that is subject to taxation under Title 6 of the Insurance Article may[:

(i)] apply any excess of eligible project costs for the eligible economic development project over the cumulative amount used as a project tax credit for the taxable year and all prior taxable years as a tax credit against the premium tax imposed for the taxable year[; and

(ii) claim a refund in the amount, if any, by which the unused excess exceeds the premium tax for the taxable year.

(4) For any taxable year, the total amount claimed as a refund under this subsection may not exceed the amount of tax that the qualified business entity is required to withhold for the taxable year from the wages of qualified employees under § 10–908 of the Tax – General Article].

~~[(5)]~~ (3) (i) A qualified business entity may claim a prorated share of the credit under this subsection if:

1. during any taxable year after the qualified business entity is certified for the tax credit, the number of qualified positions filled by the qualified business entity falls below the minimum number of qualified positions required to qualify for the project tax credit, but does not fall below 10; and

2. the qualified business entity has maintained at least the minimum number of qualified positions required to qualify for the project tax credit for at least 5 years.

(ii) The prorated share of the credit is calculated based on the number of qualified positions filled for the taxable year divided by the minimum number of qualified positions required to qualify for the project tax credit.

6–703.

(b) (1) Except as provided in paragraph (2) of this subsection, the credit earned under this section for an aerospace, electronics, or defense contract tax credit project is \$250 multiplied by the number of qualified employees employed by the qualified business entity during the credit year.

(2) The credit earned by a qualified business entity for an aerospace, electronics, or defense contract tax credit project under this subtitle may not exceed \$2,500,000 for any credit year.

(c) (1) The credit earned under subsection (b) of this section shall be taken over a 1–year period.

(2) If the credit allowed under this subtitle in any taxable year exceeds the total income tax otherwise payable by the qualified business entity for that taxable year, the qualified business entity may [claim a refund in the amount of the excess] **APPLY THE EXCESS AS A TAX CREDIT FOR SUCCEEDING TAXABLE YEARS UNTIL THE FULL AMOUNT OF THE EXCESS IS USED.**

## **Article – Tax – General**

7–203.

(e) The inheritance tax does not apply to the receipt of property that passes from a decedent to or for the use of an organization that is exempt from taxation under § 501(c)(3) of the Internal Revenue Code or to which transfers are deductible under § 2055 of the Internal Revenue Code if the organization:

(1) is incorporated under the laws of this State;

(2) conducts a substantial part of all its activities in this State [or in the District of Columbia]; or

(3) has its principal place of business in a jurisdiction whose law:

(i) does not impose death taxes on the receipt of property that passes from a decedent to a beneficiary of this State that is exempt from taxation under § 501(c)(3) of the Internal Revenue Code or to which transfers are deductible under § 2055 of the Internal Revenue Code; or

(ii) contains a reciprocal exemption from death taxes similar to the exemption allowed in this subsection.

[(j)] The inheritance tax does not apply to the receipt of property that is income, including gains and losses, accrued on probate assets after the date of death of the decedent.]

[(k)] **(J)** (1) (i) In this subsection the following words have the meanings indicated.

(ii) “Holocaust victim” means an individual who died or lost property as a result of discriminatory laws, policies, or actions targeted against discrete groups of individuals based on race, religion, ethnicity, sexual orientation, or national origin, whether or not the individual was actually a member of any of those groups, or because the individual assisted or allegedly assisted any of those groups, between January 1, 1929 and December 31, 1945, in the country of Nazi Germany, areas occupied by Nazi Germany, those European countries allied with Nazi Germany, areas occupied by those European countries allied with Nazi Germany, or any other neutral European country or area in Europe under the influence or threat of invasion by Nazi Germany or by any European

1 country allied with or occupied by Nazi Germany.

2 (iii) "Nazi Germany" means:

3 1. for the period from 1929 to 1933, the Republic of Germany,  
4 commonly referred to as the Weimar Republic; and

5 2. for the period from 1933 through 1945, Deutsche Reich.

6 (2) The inheritance tax does not apply to the receipt of property that is:

7 (i) tangible or intangible property or compensation for tangible or  
8 intangible property that was seized, misappropriated, or lost as a result of the actions or  
9 policies of Nazi Germany toward a Holocaust victim; or

10 (ii) amounts received by a decedent as reparations or restitution for  
11 the loss of liberty or damage to the health of the decedent because the decedent was:

12 1. a Holocaust victim; or

13 2. a spouse or descendant of a Holocaust victim.

14 (3) The exclusion under paragraph (2) of this subsection includes interest  
15 on the proceeds receivable as insurance under policies issued by European insurance  
16 companies prior to and during World War II to a Holocaust victim.

17 (4) The exclusion under paragraph (2) of this subsection does not include:

18 (i) assets acquired with the assets described in paragraph (2) of this  
19 subsection; or

20 (ii) assets acquired with the proceeds from the sale of the assets  
21 described in paragraph (2) of this subsection.

22 (5) The subtraction under paragraph (2)(i) of this subsection shall only  
23 apply if the decedent:

24 (i) was the first recipient of the assets described in paragraph (2)(i)  
25 of this subsection after their recovery; and

26 (ii) was:

27 1. a Holocaust victim; or

28 2. a spouse or descendant of a Holocaust victim.

29 **[(1)] (K)** (1) (i) In this subsection the following words have the meanings

1 indicated.

2 (ii) “Domestic partner” means an individual with whom another  
3 individual has established a domestic partnership.

4 (iii) “Domestic partnership” means a relationship between two  
5 individuals that is a domestic partnership within the meaning of § 6–101(a) of the Health  
6 – General Article.

7 (2) If the domestic partner of a decedent provides the affidavit described in  
8 § 6–101(b)(1) of the Health – General Article or any two of the proofs of domestic  
9 partnership listed under § 6–101(b)(2) of the Health – General Article, the inheritance tax  
10 does not apply to the receipt of an interest in a joint primary residence that:

11 (i) at the time of death was held in joint tenancy by the decedent  
12 and the domestic partner; and

13 (ii) passes from the decedent to or for the use of the domestic partner.

14 [(m)] (L) (1) (i) In this subsection the following words have the meanings  
15 indicated.

16 (ii) “Farming purposes” has the meaning stated in § 2032A(e)(5) of  
17 the Internal Revenue Code.

18 (iii) “Perpetual conservation easement” means an easement on real  
19 property that perpetually restricts the use of the real property to farming purposes.

20 (2) The inheritance tax does not apply to the receipt of real property that  
21 is subject to a perpetual conservation easement and passes from a decedent to or for the  
22 use of a niece or nephew of the decedent.

23 (3) (i) The inheritance tax shall be recaptured as provided in this  
24 paragraph if the real property that is excluded under paragraph (2) of this subsection ceases  
25 to be used for farming purposes.

26 (ii) The amount of the inheritance tax imposed under this paragraph  
27 shall be the inheritance tax that would have been payable at the time of the decedent’s  
28 death but for the provisions under paragraph (2) of this subsection.

29 [9–315.

30 (a) A licensed dealer or licensed special fuel seller shall deduct 0.5% of the 1st 10  
31 cents of the motor fuel tax on each gallon of motor fuel, as a discount:

32 (1) instead of an allowance for evaporation, shrinkage, and handling; and

(2) to reimburse the licensed dealer or licensed special fuel seller for expenses incurred for the State in:

(i) keeping records;

(ii) collecting and paying the tax; and

(iii) preparing reports.

(b) (1) This subsection does not apply to:

(i) any aviation gasoline; or

(ii) any other motor fuel on which the motor fuel tax has not been paid.

(2) From the discount under subsection (a) of this section:

(i) a licensed dealer who sells gasoline to a retail service station dealer shall deduct on the bill 1/2 of the discount;

(ii) a licensed dealer who sells gasoline to a licensed distributor or licensed special fuel seller shall deduct on the bill 2/3 of the discount;

(iii) a licensed distributor who sells motor fuel to a retail service station dealer shall deduct on the bill 1/3 of the discount;

(iv) a licensed special fuel seller who sells special fuel to a retail service station dealer shall deduct on the bill 1/2 of the discount;

(v) a licensed special fuel seller who sells special fuel to a licensed distributor shall deduct on the bill 2/3 of the discount; and

(vi) a licensed special fuel seller who sells gasoline to a licensed distributor shall deduct on the bill 1/3 of the discount.]

10-730.

(f) (1) [Except as provided in paragraph (2) of this subsection, the] **THE** Secretary may not issue tax credit certificates for credit amounts in the aggregate totaling more than:

(i) for fiscal year 2014, \$25,000,000;

(ii) for fiscal year 2015, \$7,500,000;

(iii) for fiscal year 2016, \$7,500,000;

- (iv) for fiscal year 2019, \$8,000,000;
- (v) for fiscal year 2020, \$11,000,000;
- (vi) for fiscal year 2021, \$14,000,000;
- (vii) for fiscal year 2022, \$17,000,000; and
- (viii) for fiscal year 2023 and each fiscal year thereafter, \$20,000,000.

(2) [If the aggregate credit amounts under the tax credit certificates issued by the Secretary total less than the maximum provided under paragraph (1) of this subsection in any fiscal year, any excess amount may be carried forward and issued under tax credit certificates in a subsequent fiscal year.

(3)] The Secretary may not issue tax credit certificates for credit amounts totaling more than \$10,000,000 in the aggregate for a single film production activity.

~~[(4)]~~ (3) (i) For fiscal year 2019 and each fiscal year thereafter, the Secretary shall make 10% of the credit amount authorized under paragraph (1) of this subsection available for Maryland small or independent film entities.

(ii) If the total amount of credits applied for by Maryland small or independent film entities is less than the amount made available under subparagraph (i) of this paragraph, the Secretary shall make available the unused amount of credits for use by qualified film production entities.

10–732.

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

(2) “Costs” means the costs to [an individual or corporation] **A SMALL BUSINESS** for:

(i) security clearance administrative expenses incurred with regard to an employee in the State including, but not limited to:

1. processing application requests for clearances for employees in the State;

2. maintaining, upgrading, or installing computer systems in the State required to obtain federal security clearances; and

3. training employees in the State to administer the application process; and



(ii) construction and equipment costs incurred to construct or renovate a sensitive compartmented information facility ("SCIF") located in the State as required by the federal government.

(3) "Department" means the Department of Commerce.

(4) "Secretary" means the Secretary of Commerce.

(5) "Small business" has the meaning stated in § 7-218 of this article.

(b) (1) Subject to the limitations of this section, for a taxable year beginning after December 31, 2012, but before January 1, 2022, [an individual or a corporation] A **SMALL BUSINESS**, may claim credits against the State income tax for:

(i) security clearance administrative expenses, not to exceed \$200,000;

(ii) expenses incurred for rental payments owed during the first year of a rental agreement for spaces leased in the State if the [individual or corporation is a] small business [that] performs security-based contracting, not to exceed \$200,000; and

(iii) subject to paragraph (2) of this subsection, construction and equipment costs incurred to construct or renovate a single SCIF in an amount equal to the lesser of 50% of the costs or \$200,000.

(2) The total amount of construction and equipment costs incurred to construct or renovate multiple SCIFs for which [an individual or a corporation] A **SMALL BUSINESS** is eligible to claim as a credit against the State income tax is \$500,000.

(c) (1) By September 15 of the calendar year following the end of the taxable year in which the costs were incurred, [an individual or a corporation] A **SMALL BUSINESS** shall submit an application to the Department for the credits allowed under subsection (b) of this section.

(2) (i) The total amount of credits approved by the Department under subsection (b) of this section may not exceed \$2,000,000 for any calendar year.

(ii) If the total amount of credits applied for by all [individuals and corporations] **SMALL BUSINESSES** under subsection (b) of this section exceeds the maximum specified under subparagraph (i) of this paragraph, the Department shall approve a credit under subsection (b) of this section for each applicant in an amount equal to the product of multiplying the credit applied for by the applicant times a fraction:

1. the numerator of which is the maximum specified under subparagraph (i) of this paragraph; and

1                               2.       the denominator of which is the total of all credits applied  
2 for by all applicants under subsection (b) of this section in the calendar year.

3                       (3)       By December 15 of the calendar year following the end of the taxable  
4 year in which the costs were incurred, the Department shall certify to the [individual or  
5 corporation] **SMALL BUSINESS** the amount of tax credits approved by the Department for  
6 the [individual or corporation] **SMALL BUSINESS** under this section.

7                       (4)       To claim the approved credits allowed under this section, [an individual  
8 or a corporation] **A SMALL BUSINESS** shall:

9                               (i)       1.       file an amended income tax return for the taxable year in  
10 which the costs were incurred; and

11                               2.       attach a copy of the Department's certification of the  
12 approved credit amount to the amended income tax return; or

13                               (ii)       subject to subsection (d) of this section, attach a copy of the  
14 Department's certification of the approved credit amount to an income tax return filed for  
15 any taxable year after the taxable year in which the costs were incurred.

16                       (d)       If the credit allowed for any taxable year under this section exceeds the total  
17 tax otherwise due, [an individual or corporation] **A SMALL BUSINESS** may apply the excess  
18 as a credit against the State income tax for succeeding taxable years until the full amount  
19 of the excess is used.

20 10-733.

21                       (d)       (1)       The tax credit allowed in an initial tax credit certificate issued under  
22 this section is:

23                               (i)       except as provided in item (ii) of this paragraph, 33% of the  
24 investment in a qualified Maryland cybersecurity company, not to exceed \$250,000; or

25                               (ii)       if a qualified Maryland cybersecurity company is located in  
26 Allegany County, Dorchester County, Garrett County, or Somerset County, 50% of the  
27 investment in the qualified Maryland cybersecurity company, not to exceed \$500,000.

28                       (2)       During any fiscal year, the Secretary may not certify eligibility for tax  
29 credits for investments in a single qualified Maryland cybersecurity company that in the  
30 aggregate exceed 15% of the total appropriations to the Maryland Cybersecurity  
31 Investment Tax Credit Reserve Fund for that fiscal year.

32                       (3)       If the credit allowed under this section in any taxable year exceeds the  
33 State income tax for that taxable year, an individual or a corporation may [claim a refund  
34 in the amount of the excess] **APPLY THE EXCESS AS A TAX CREDIT FOR SUCCEEDING**

1 **TAXABLE YEARS UNTIL THE FULL AMOUNT OF THE EXCESS IS USED.**

2 (f) (1) In this subsection, "Reserve Fund" means the Maryland Cybersecurity  
3 Investment Tax Credit Reserve Fund established under paragraph (2) of this subsection.

4 (2) (i) There is a Maryland Cybersecurity Investment Tax Credit  
5 Reserve Fund which is a special continuing, nonlapsing fund that is not subject to § 7-302  
6 of the State Finance and Procurement Article.

7 (ii) The money in the Reserve Fund shall be invested and reinvested  
8 by the Treasurer, and interest and earnings shall be credited to the General Fund.

9 (iii) The money in the Reserve Fund may be used by the Department  
10 to pay the costs of administering the tax credit program under this section.

11 (3) (i) Subject to the provisions of this subsection, the Secretary shall  
12 issue an initial tax credit certificate to a qualified investor for each approved investment in  
13 a qualified Maryland cybersecurity company eligible for a tax credit.

14 (ii) An initial tax credit certificate issued under this subsection shall  
15 state the maximum amount of tax credit for which the qualified investor is eligible.

16 (iii) 1. [Except as otherwise provided in this subparagraph, for]  
17 **FOR** any fiscal year, the Secretary may not issue initial tax credit certificates for credit  
18 amounts in the aggregate totaling more than the amount appropriated to the Reserve Fund  
19 for that fiscal year in the State budget as approved by the General Assembly, as reduced  
20 by the amount needed to pay the costs of administering the tax credit program under this  
21 section.

22 2. If the aggregate credit amounts under initial tax credit  
23 certificates issued in a fiscal year total less than the amount appropriated to the Reserve  
24 Fund for that fiscal year, any excess amount shall [remain in the Reserve Fund and may  
25 be issued under initial tax credit certificates for the next fiscal year] **REVERT TO THE**  
26 **GENERAL FUND.**

27 3. For any fiscal year, if funds are transferred from the  
28 Reserve Fund under the authority of any provision of law other than under paragraph (4)  
29 of this subsection, the maximum credit amounts in the aggregate for which the Secretary  
30 may issue initial tax credit certificates shall be reduced by the amount transferred.

31 (4) (i) Except as otherwise provided in this paragraph **AND**  
32 **PARAGRAPH (3)(III)2 OF THIS SUBSECTION**, money appropriated to the Reserve Fund  
33 shall remain in the Reserve Fund.

34 (ii) 1. Within 15 days after the end of each calendar quarter, the  
35 Department shall notify the Comptroller as to each final credit certificate issued during the

1 quarter:

2 A. the maximum credit amount stated in the initial tax credit  
3 certificate for the investment in the qualified Maryland cybersecurity company; and

4 B. the final certified credit amount for the investment in the  
5 qualified Maryland cybersecurity company.

6 2. On notification that an investment has been certified, the  
7 Comptroller shall transfer an amount equal to the credit amount stated in the initial tax  
8 credit certificate for the investment from the Reserve Fund to the General Fund.

9 (iii) 1. Periodically, but not more frequently than quarterly, the  
10 Department may submit invoices for costs that have been incurred or are anticipated to be  
11 incurred in administering the tax credit program under this section.

12 2. The Comptroller shall transfer money from the Reserve  
13 Fund to the Department to pay for costs that have been incurred or are anticipated to be  
14 incurred in administering the tax credit program under this section.

15 10-734.1.

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

17 (2) "Administration" means the Motor Vehicle Administration.

18 (3) "Qualified vehicle" means a Class F (tractor) vehicle described under §  
19 13-923 of the Transportation Article that is titled and registered in the State.

20 (b) Subject to the limitations of this section, an individual or a corporation  
21 **HEADQUARTERED IN THE STATE** that obtains a tax credit certificate from the  
22 Administration may claim a credit against the State income tax for the expense of  
23 registering a qualified vehicle in the State during the taxable year.

24 10-741.

25 (b) (1) Subject to the limitations of this section, an individual or corporation  
26 that is a new business entity that operates an eligible project in a Tier I area or an existing  
27 business entity that operates an eligible project may claim a credit against the State income  
28 tax equal to the amount stated in the final tax credit certificate approved by the  
29 Department for an eligible project.

30 (2) The amount of the credit authorized under paragraph (1) of this  
31 subsection is equal to the product of:

32 (i) the State employer withholding amount, which is equal to the  
33 highest tax rate listed in § 10-105(a) of this title; and

(ii) the total amount of wages paid for each qualified position at an eligible project.

(3) If the tax credit allowed under this section in any taxable year exceeds the total tax otherwise payable by the qualified business entity for that taxable year, the qualified business entity may [claim a refund in the amount of] **APPLY the excess AS A TAX CREDIT FOR SUCCEEDING TAXABLE YEARS UNTIL THE FULL AMOUNT OF THE EXCESS IS USED.**

(d) (1) In this subsection, "Reserve Fund" means the More Jobs for Marylanders Tax Credit Reserve Fund established under paragraph (2) of this subsection.

(2) (i) There is a More Jobs for Marylanders Tax Credit Reserve Fund that is a special continuing, nonlapsing fund that is not subject to § 7-302 of the State Finance and Procurement Article.

(ii) The money in the Reserve Fund shall be invested and reinvested by the Treasurer, and interest and earnings shall be credited to the General Fund.

(3) (i) Subject to the limitations of this subsection, the Department shall issue an initial tax credit certificate in an amount equal to a percentage of total wages paid for each qualified position at an eligible project as calculated under subsection (b)(2) of this section.

(ii) An initial tax credit certificate issued under this subsection shall state the maximum amount of tax credit for which the qualified business entity is eligible.

(iii) 1. [Except as otherwise provided in this subparagraph, for] **FOR** any fiscal year, the Department may not issue initial tax credit certificates for credit amounts in the aggregate totaling more than \$9,000,000 in a fiscal year.

2. If the aggregate credit amounts under initial tax credit certificates issued in a fiscal year total less than the maximum provided under subparagraph 1 of this subparagraph, any excess amount shall [remain in the Reserve Fund and may be issued under initial tax credit certificates for the next fiscal year] **REVERT TO THE GENERAL FUND.**

3. For any fiscal year, if funds are transferred from the Reserve Fund under the authority of any provision of law other than under paragraph (4) of this subsection, the maximum credit amounts in the aggregate for which the Department may issue initial tax credit certificates shall be reduced by the amount transferred.

(iv) For fiscal year 2019 and each fiscal year thereafter, the Governor shall include in the annual budget bill an appropriation to the Reserve Fund in an amount that is no less than the amount the Department reports is necessary under subsection (e)

of this section to:

1. maintain the current level of manufacturing activity in the State;
2. attract new manufacturing activity to the State; and
3. attract new businesses to and encourage the expansion of existing businesses within opportunity zones in the State.

(v) Notwithstanding the provisions of § 7–213 of the State Finance and Procurement Article, the Governor may not reduce an appropriation to the Reserve Fund in the State budget as approved by the General Assembly.

(vi) Based on an amount equal to a percentage of the total actual wages paid for each qualified position at an eligible project as calculated under subsection (b)(2) of this section, the Department shall issue a final tax credit certificate to the qualified business entity.

(4) (i) Except as provided in this paragraph **AND PARAGRAPH (3)(III)2 OF THIS SUBSECTION**, money appropriated to the Reserve Fund shall remain in the Fund.

(ii) 1. Within 15 days after the end of each calendar quarter, the Department shall notify the Comptroller as to each final credit certificate issued during the quarter:

A. the maximum credit amount stated in the initial tax credit certificate for the qualified business entity; and

B. the final certified credit amount for the qualified business entity.

2. On notification that a final credit amount has been certified, the Comptroller shall transfer an amount equal to the credit amount stated in the initial tax credit certificate for the qualified business entity from the Reserve Fund to the General Fund.

11–206.

[(g) (1) In this subsection, “snack food” means:

- (i) potato chips and sticks;
- (ii) corn chips;
- (iii) pretzels;

(iv) cheese puffs and curls;

(v) pork rinds;

(vi) extruded pretzels and chips;

(vii) popped popcorn;

(viii) nuts and edible seeds; or

(ix) snack mixtures that contain any one or more of the foods listed in items (i) through (viii) of this paragraph.

(2) The sales and use tax does not apply to the sale of snack food through a vending machine.]

[(h)] (G) The sales and use tax does not apply to the sale through a vending machine of milk, fresh fruit, fresh vegetables, or yogurt.

11–210.

(a) [The sales and use tax does not apply to a sale of:

(1) machinery or equipment used to produce bituminous concrete; or

(2) electricity, fuel, and other utilities used to operate that machinery or equipment.

(b)] The sales and use tax does not apply to a sale of:

(1) tangible personal property used directly and predominantly in a production activity at any stage of operation on the production activity site from the handling of raw material or components to the movement of the finished product, if the tangible personal property is not installed so that it becomes real property;

(2) a melting, smelting, heating, or annealing coke oven, aluminum furnace, anode bake oven, electrolytic pot, cathode, refractory, or other material used in relining and rebuilding a furnace or oven; or

(3) a foundation to support other machinery or equipment or an item required to conform to an air or water pollution law and normally considered part of real property.

[(c) The sales and use tax does not apply to a sale of equipment that is used by a retail food vendor to manufacture or process bread or bakery goods for resale if:

(1) the taxable price of each piece of equipment is at least \$2,000; and

(2) the retail food vendor operates a substantial grocery or market business, as defined in § 11–206(a) of this subtitle, at the same location where the food is sold.

(d) The sales and use tax does not apply to the sale, on or after January 1, 2000 but before January 1, 2008, of machinery or equipment:

(1) that enables a television or radio station to originate and broadcast or to receive and broadcast digital signals; and

(2) that was or is purchased to comply with or to facilitate compliance with the Telecommunications Act of 1996, Pub. L. 104–104, 110 Stat. 56.]

**[(e)] (B)** The sales and use tax does not apply to the sale of:

(1) machinery or equipment used directly and predominantly to produce Energy Star windows or Energy Star entry doors for residential real property; or

(2) electricity, fuel, and other utilities used to operate that machinery or equipment.

[11–214.1.

(a) In this section:

(1) “precious metal bullion or coins” means:

(i) any precious metal that has gone through a refining process and is in a state or condition such that its value depends on its precious metal content and not on its form; or

(ii) except as provided in paragraph (2) of this subsection, monetized bullion, coins, or other forms of money that:

1. are manufactured from precious metals; and

2. are or have in the past been used as a medium of exchange under the laws of the State, the United States, or a foreign nation; and

(2) “precious metal bullion or coins” does not include jewelry or a work of art made of precious metal bullion or coins.

(b) The sales and use tax does not apply to a sale of precious metal bullion or coins if the sale price is greater than \$1,000.]



1 [11-231.

2 The sales and use tax does not apply to the sale of a right to occupy a room or lodgings  
3 as a transient guest at a dormitory or other lodging facility that:

4 (1) is operated solely in support of a corporate or any other headquarters,  
5 training, conference, or awards facility or campus;

6 (2) provides lodging solely for employees, contractors, vendors, and other  
7 invitees of the corporation that owns the dormitory or lodging facility; and

8 (3) does not offer lodging services to the general public.]

9 11-232.

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

11 (2) (i) “Construction material” means an item of tangible personal  
12 property that is used to construct or renovate a building, a structure, or an improvement  
13 on land and that typically loses its separate identity as personal property once incorporated  
14 into the real property.

15 (ii) “Construction material” includes building materials, building  
16 systems equipment, landscaping materials, and supplies.

17 (3) “Target redevelopment area” means any real property owned or leased  
18 by a person in Baltimore County that:

19 (i) was previously owned at any time by Bethlehem Steel  
20 Corporation, or any of its subsidiaries; and

21 (ii) was, as of January 1, 2016, the subject of an approved application  
22 for participation in the Voluntary Cleanup Program under Title 7, Subtitle 5 of the  
23 Environment Article.

24 [(4) “Warehousing equipment” means equipment used for material  
25 handling and storage, including racking systems, conveying systems, and computer  
26 systems and equipment.]

27 (b) The sales and use tax does not apply to a sale of construction material [or  
28 warehousing equipment,] if:

29 (1) the material [or equipment] is purchased by a person solely for use in  
30 a target redevelopment area; and

31 (2) the buyer provides the vendor with evidence of eligibility for the

1 exemption issued by the Comptroller.

2 12–104.

3 (b) The tobacco tax does not apply to:

4 (1) cigarettes that a licensed wholesaler under Title 16 of the Business  
5 Regulation Article is holding for sale outside the State or to a United States armed forces  
6 exchange or commissary;

7 (2) other tobacco products that an other tobacco products wholesaler  
8 licensed under Title 16.5 of the Business Regulation Article is holding for sale outside the  
9 State or to a United States armed forces exchange or commissary; or

10 (3) cigarettes or other tobacco products that:

11 (i) a consumer brings into the State:

12 1. if the quantity brought from another state does not exceed  
13 [other tobacco products having a retail value of \$100 or 5 cartons] **ONE CARTON** of  
14 cigarettes; or

15 2. if the quantity brought from a United States armed forces  
16 installation or reservation does not exceed [other tobacco products having a retail value of  
17 \$100 or 5 cartons] **ONE CARTON** of cigarettes;

18 (ii) a person is transporting by vehicle in the State if the person has,  
19 in the vehicle, the records required by § 16–219 or § 16.5–215 of the Business Regulation  
20 Article for the transportation of cigarettes or other tobacco products; or

21 (iii) are held in storage in a licensed storage warehouse on behalf of  
22 a licensed cigarette manufacturer or an other tobacco products manufacturer.

23 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
24 1, 2020.