

Washington County

Enterprise Zones

State of Maryland

State Income Tax Credits
Local Real Property Tax Credits

JUNE 2014



Washington County Department of Business Development
100 West Washington Street, Suite 1401
Hagerstown, MD 21740-4710
240-313-2280 – Phone
240-313-2281 – Fax
edcinfo@hagerstowndc.org
www.hagerstowndc.org

Enterprise Zone Overview

What is an Enterprise Zone?

An Enterprise Zone is a defined geographic area in which economic incentives are made available to new and existing businesses that expand through capital investments and/or job creation. Approximately 5,500 acres in Washington County are within three state-designated Enterprise Zones. The State of Maryland approves each zone for a 10-year period.

Locations of Zones

City of Hagerstown/Washington County Enterprise Zone

Originally approved in 1982 and renewed by the State of Maryland in 1992, 2002, and 2012, this zone encompasses approximately 4,000 acres in the City of Hagerstown and Washington County. The zone includes Hopewell Valley Industrial Park, Washington County Business Park, CSX Valley Park, the City of Hagerstown Business Park, and the Central Business District in downtown Hagerstown.

Town of Hancock Enterprise Zone

Originally approved in 1995 and renewed by the State of Maryland in 2005, this 1,500-acre zone surrounds the Town of Hancock, stretching from the Pennsylvania border to the Potomac River. The zone includes commercial and industrial development opportunities in selected areas of town as well as commercial frontage along Main Street.

Enterprise Zone Benefits

State Income Tax Credit (Job Creation)

Qualifying businesses are eligible for State of Maryland income tax credits based on new jobs created after the Enterprise Zone was designated. These credits vary according to the type of employee used to fill the newly created jobs.

For most new jobs created, the credit is a one-time maximum of \$1,000. For “economically disadvantaged” employees who have been certified by the Maryland Department of Labor, Licensing and Regulation (local job service or employment office,) the maximum credits are \$3,000 the first year, \$2,000 the second year, and \$1,000 the third year. If the business hires a “disadvantaged” employee to replace a “disadvantaged” employee in the second or third year, the employer must take the remainder of the credit as if the original employee had remained.

Income tax credits are available on tax returns for the taxable years immediately following the designation of the Zone or the location of the business in the Zone whichever is later. The credit is available on wages paid in the taxable year only, and the employee must have worked at least six (6) months before a tax credit can be received. The six-month qualification period begins when the employee is hired, even though the credit is not taken until the following year. Eligible employees must work at least 35 hours per week, earn at least 150% of the federal minimum wage, and spend at least 50% of his or her working time in the Zone or in activities related to the business located within the Zone.

To claim the job creation tax credit, the qualifying business should follow the instructions printed on the *Maryland Tax Form 500CR, “Enterprise Zone Tax Credit,”* which is available from the Income Tax Division, and submit the form with its annual filing.

The income tax credit is treated as an “add-back” modification to taxable income on the Maryland return, whereby the amount of credit is added back to the taxable income. This procedure is similar to the *Targeted Jobs Tax Credit* at a federal level. The tax credit is not a refundable credit and all excess credits are carried forward five (5) years from the date the qualified employee was hired.

In the event of an audit, the following documents must be supplied to the auditing agency:

- 1) The letter of qualification received from the WCDBD;
- 2) The certifying form from the Maryland Department of Labor, Licensing and Regulation indicating the class of employee for whom the tax credit is sought (i.e., “economically disadvantaged” or not); and,
- 3) Payroll records for all employees of the business.

How to Obtain the “Disadvantaged” Credit

First of all, be sure that your company has been qualified as an eligible Enterprise Zone business by the Washington County Department of Business Development (WCDBD). The Maryland Revenue Administration will require a copy of this qualification when reviewing your corporate income tax forms. Complete the ***Request for Enterprise Zone Qualification*** form in this information packet and/or contact the WCDBD at 240-313-2280 for more details.

Before you hire, contact the Maryland Job Service Office at 301-393-8200, with your job order indicating that you wish Enterprise Zone eligible employees be referred. If you have walk-ins, send them to 14 North Potomac Street in Hagerstown, for screening. The Job Service Office will send you qualified applicants for interviews with your company.

If you have already hired new employees, they may still qualify your business to receive the credits for hiring “disadvantaged” individuals. Contact the Job Service Office at 301-393-8200 for screening.

How to Obtain the “Non-disadvantaged” Credit

Again, be sure that your company has been qualified as an eligible Enterprise Zone business by the Washington County Department of Business Development (WCDBD). The Maryland Revenue Administration will require a copy of the qualification letter when reviewing your corporate income tax forms. Complete the ***Request for Enterprise Zone Qualification*** form in this information packet and/or contact the WCDBD at 240-313-2280 for more details.

This is a one-time \$1,000 credit. No paper work (except for the application to the WCDBD) is required; however, as with the “disadvantaged credit,” the following conditions of employment must be met in order to claim the credit.

The employee:

- 1) Must have been hired by the business after the date on which the Enterprise Zone was designated or the date on which the business located in the Enterprise Zone, whichever is later;
- 2) Was not hired to replace an individual who was employed by the business in that or any previous taxable year;
- 3) Was employed at least 35 hours per week for at least six (6) consecutive months during the taxable year;
- 4) Spent at least 50% of work time in the Enterprise Zone or in activities directly related to the Zone. Positions that normally require an employee to be away from the Enterprise Zone, such as driving a truck delivering goods manufactured in the Zone, can be eligible so long as their activities are directly related to the Zone.
- 5) Earn at least 150% of the federal minimum wage.

Enterprise Zone Benefits

Local Real Property Tax Credits

All owners of business properties located within an Enterprise Zone are eligible for ten (10) full years of local tax credits on real property (no tax credits on personal property) if a capital investment has been made in accordance with local requirements after the Enterprise Zone's Designation Date. (See Enterprise Zone Eligibility Standards – Designation Dates.)

The local real property **tax credit for the first five years is 80%** of the property taxes on the **increased assessment**. The “increased” assessment is the difference between the base year assessment (the assessment of the property before completing the building project) and the new assessment (after the building project is finished). The property must be certified to the Maryland Department of Assessments and Taxation by the Washington County Department of Business Development (WCDBD) during the calendar year in which the construction is completed (by December 31st) in order to receive the tax credit in the upcoming tax year. Credits will be applied to tax bills issued on July 1st after qualification as a Zone business. (For example: A business which completes renovations in April 2012 would be qualified in calendar year 2012 and would not receive a tax credit until July 1, 2013 – the next full year tax billing. In the case of new construction, a half-year tax bill may be received January 2013, but would not reflect any credit and must be paid in full).

Property tax credits for the sixth through the tenth year are:

6 th year	-	70%
7 th year	-	60%
8 th year	-	50%
9 th year	-	40%
10 th year	-	30%

To qualify as an eligible Enterprise Zone project, the property owner must apply to the WCDBD by completing the ***Request for Enterprise Zone Qualification*** form in this packet. The WCDBD will notify the property owner of approval via letter. A copy of this approval letter will be sent by the WCDBD to the Maryland State Department of Assessments and Taxation, with a copy to the local assessor.

Exemption from Commercial Building Excise Tax

Commercial building excise taxes are *not* imposed on new construction located within an Enterprise Zone. This can result in substantial cost savings for businesses expanding or locating in a zone. Unlike the real property tax and income tax credits, no application is necessary to be exempt from excise tax, just inform Department of Plan Review & Permitting staff that the project is located within a zone when applying for a building permit.

Example of Calculation of Property Tax Credits

The property tax credit for a building at 22 East XYZ Street, finishing construction and becoming qualified in calendar year 2012, will first receive the assessment credit on the July 1, 2013 tax bill (Fiscal Year 2013-2014). The base year is the assessment for the tax year beginning July 1, 2012; thus,

Year 1

2012-2013 assessment (current year, after construction or improvements)	=	\$200,000
2011-2012 previous assessment	=	\$150,000
Increase in assessment	=	\$50,000
Credit allowed on assessment (\$50,000 increased assessment x 80% = \$40,000)*	=	\$40,000

Using this example, a business in the City of Hagerstown, would receive the following credits on July 1, 2013:

2012-2013 assessment	=	\$200,000
Property taxes without Enterprise Zone credits:		
City of Hagerstown	$\$0.788 \times \$200,000/\$100$	= \$1,576
Washington County	$\$0.823 \times \$200,000/\$100$	= \$1,646
State of Maryland	$\$.112 \times \$200,000/\$100$	= \$ 224
Property Taxes	=	\$3,446
Property taxes with Enterprise Zone credits:		
City of Hagerstown	$\$0.788 \times \$160,000/\$100$	= \$1,261
Washington County	$\$0.823 \times \$160,000/\$100$	= \$1,317
State of Maryland	(same as above; no tax credit)	= \$ 224
Property Taxes	=	\$2,802
Enterprise Zone tax credit	=	(\$644)

* The 80% credit is granted for a total of five (5) years. The amount of credit during the ten (10) year period is a percentage of the increased assessment.

<u>Year(s)</u>	<u>Credit Amount</u>
1 – 5	80%
6	70%
7	60%
8	50%
9	40%
10	30%

Enterprise Zone Eligibility Standards

The State of Maryland, Washington County, the City of Hagerstown, and the Town of Hancock have developed the following standards and requirements. All business entities wishing to receive the benefits of an Enterprise Zone must comply with these standards.

Designation Dates

The business must have been located within the Zone boundaries on the date of designation, relocated to the Zone after the designation date, or started construction or expansion in the Zone after the designation date. For the income tax credit, employment of individuals for newly created jobs must begin after the Zone designation date.

Designation Dates:

City of Hagerstown/Washington County Enterprise Zone	December 15, 1982
Hancock Enterprise Zone	December 15, 1995

State Income Tax Credits – Minimum Qualifications

To apply for state income tax credits, eligible businesses must meet the minimum qualification level of job creation in the Enterprise Zone.

City of Hagerstown/Washington County Enterprise Zone	
Central Business District	1 new job created
Outside Central Business District	5 new jobs created
Hancock Enterprise Zone	1 new job created

Real Property Tax Credits – Minimum Qualifications

To apply for tax credits against the increased assessment of local real property, eligible businesses must meet the minimum qualification level of capital investment (i.e., construction of a new building, building addition, renovation) for the Enterprise Zone. Property tax credits apply to real property only, not personal property.

City of Hagerstown/Washington County Enterprise Zone	
Central Business District	\$5,000+ capital investment
Outside Central Business District	\$50,000+ capital investment
Hancock Enterprise Zone	\$5,000+ capital investment

Proprietorships, partnerships, and corporations may be deemed eligible for benefits at the discretion of the Washington County Department of Business Development (WCDBD) if the employment or capital investment criteria above are met.

Limitations on Eligibility of Certain Business Types

Businesses may be certified for incentives in the City of Hagerstown/Washington County Enterprise Zone only if business activities represent one of the following categories: manufacturing; warehousing; research and development; offices for corporate or regional headquarters; service industries; mercantile or retail businesses (special conditions apply). Mercantile or retail businesses are only eligible for tax incentives if located or moving into the Hancock Enterprise Zone or the Central Business District¹ of the City of Hagerstown/Washington County Enterprise Zone. Contact the WCDBD for more details.

Hagerstown-Washington County, Maryland Enterprise Zone Program

Qualification Checklist

(Do not send in - Keep for your reference)

Before Submitting Applications:

- Determine that the business property is in a Zone by contacting the Washington County Department of Business Development.
 - City of Hagerstown/Washington County Enterprise Zone
 - Hancock Enterprise Zone

- Meet minimum eligibility criteria for Jobs or Capital Investment
- In the Central Business District of the City of Hagerstown/Washington County Enterprise Zone or the Hancock Enterprise Zone minimum requirements are:
 - 1 new job created or
 - \$5,000 construction or rehabilitation

- Outside of the Central Business District of the City of Hagerstown/Washington County Enterprise Zone minimum requirements are:
 - 5 new jobs created or
 - \$50,000 construction or rehabilitation

Applications:

- Submit a Qualification form (located in the back of this packet) to the Washington County Department of Business Development.
 - Property Tax Credits: submit Qualification form before completing the project
 - Income Tax Credits: submit Qualification form after hiring new employee(s)

- Income Tax Credits ONLY: (in addition to the Qualification form): Submit "New Jobs Created" form to the Washington County Department of Business Development. The list should include employees meeting these requirements:
 - Newly created jobs (not replacement hires) since locating/expanding in the Enterprise Zone
 - Full time employment (35 hours or more per week)
 - Employed with the business at least six (6) months
 - Work in the Enterprise Zone or doing activities directly related to the Enterprise Zone

After Submitting Application(s):

- Income Tax Credits ONLY: Local Job Service Office (Maryland Department of Labor, Licensing and Regulation) contacts business applicant to review list of employees and determine individual eligibility as "disadvantaged" or "non-disadvantaged."

- The Washington County Department of Business Development sends an approval letter or an explanation for not approving to the applying business. Copies of the approval letter will be submitted to the appropriate local and state agencies by the Department of Business Development.

- Property Tax Credit ONLY: Property tax credits will automatically appear on Washington County and Town of Hancock tax bills in July. The City of Hagerstown issues a credit voucher to be submitted with the property tax payment. (Credits will not appear on half-year tax bills in January. Please pay any half-year taxes owed.)

- _____ Income Tax Credits ONLY: Credits should be claimed using Maryland Tax Form 500Z and a copy of the approval letter from the Washington County Department of Business Development.
- _____ \$1,000 per “non-disadvantaged” employee for the first year after hired
- _____ \$3,000 per “disadvantaged” employee (as identified by the Job Service) for year after hired
- _____ \$2,000 per “disadvantaged” employee second year after remaining employed or being replaced ONLY by another approved “disadvantaged” employee (per Job Service)
- _____ \$1,000 per “disadvantaged” employee third year after remaining employed or being replaced ONLY by another approved “disadvantaged” employee (per Job Service).

NOTE: After initial approval as a business in an Enterprise Zone, the company does not need to reapply for additional job credits. Contact Job Service to identify any “disadvantaged” employees, then claim credits.

Additional Information to Help You Through the Process:

- _____ Contact the Washington County Department of Business Development:
 - Ph: 240-313-2280
 - Fx: 240-313-2281
 - Email: edcinfo@hagerstowndc.org

**Hagerstown-Washington County, Maryland
Enterprise Zone Program**

Local Contacts:

Administration of Zones: **Local Enterprise Zone information, application materials, maps**

All local Zones: *EZ Administrator*
100 West Washington Street, Suite 1401, Hagerstown, MD 21740-4710
Ph.: 240-313-2280 Fx.: 240-313-2281

Hancock only: *David D. Smith, Town of Hancock*
126 West High Street, Hancock, MD 21750
Ph.: 301-678-5622

Job Service Office: **Hiring or classifying new employees as “disadvantaged”**

Merlin Williams, Maryland Department of Labor, Licensing and Regulation
14 North Potomac Street, Hagerstown, MD 21740
Ph.: 301-393-8200

Property Assessment: **Details about local property assessment**

Ms. Melissa Adelsberger Maryland Department of Assessments and Taxation
3 Public Square, Hagerstown, MD 21740
Ph.: 301-791-3050

Tax Collection: **Information on property taxes and tax credits for local government**

County: *Todd Hershey, Washington County Treasurer*
35 West Washington Street, Suite 102, Hagerstown, MD 21740
Ph.: 240-313-2113

Hagerstown: *Ms. Michelle Hepburn, Director of Finance*
City Hall, 1 East Franklin Street, Hagerstown, MD 21740
Ph.: 301- 739-8577 ext. 156

Hancock: *David D. Smith, Town of Hancock*
126 West High Street, Hancock, MD 21750
Ph.: 301-678-5622

State of Maryland Contacts:

Administration of Zones: ***General information about Enterprise Zones in Maryland***

Emiko Kawagoshi
Finance Programs
, Maryland Department of Commerce
401 E. Pratt Street, 17th Floor, Baltimore, MD 21202
Ph.: 410-767-4041
Emiko.kawagoshi@maryland.gov

Property Assessment: ***Information about property assessment and related tax credits***

Robert Young, Maryland Department of Assessments and Taxation
301 West Preston Street, 8th Floor, Baltimore, MD 21201-2305
Ph.: 410-767-1191

Request for Enterprise Zone Qualification

For Application Processing Purposes, You Must Complete ALL Questions Below:

Is the applicant: New Expanding Relocating Renovating

Name of the Business (products/services) in the Enterprise Zone: _____

North American Industry Classification System (NAICS) code: _____

Contact Person: _____

Mailing Address: _____

Telephone Number: _____

Facsimile Number: _____

Signature of Person Completing Form: _____ Date: _____

Printed Name/Title of Person Completing Form: _____

Please check appropriate Enterprise Zone below:

 City of Hagerstown/Washington County Enterprise Zone

 Hancock Enterprise Zone

For Local Property Tax Credits Only (Construction or Rehabilitation of Buildings):

Note: The Enterprise Zone Program requires a minimum of capital investment. Proof of expenditures for construction may be required.

Address of Property in the Enterprise Zone: _____

Name of Property Owner: _____

Address of Property Owner (if different than above): _____

 Is property located within city/town limits? Yes _____ No _____

Property Tax District Number (two digits): _____ Property Tax Account Number (six digits): _____

Is this project: New Construction Rehabilitation

Project Starting Date: _____ Expected Completion Date: _____

* Estimated Cost of Project:

Land Purchase	\$	_____
Building Purchase	\$	_____
Construction Cost	\$	_____
Rehabilitation Cost	\$	_____
Machinery & Equipment	\$	_____ (not eligible for credits)

For State Income Tax Credits Only (New Jobs Created):

Note: The Enterprise Zone Program requires a minimum number of new jobs created. A list of new hires must be submitted to the WCDBD (for initial zone qualification) prior to claiming credits. "New jobs" for tax credit purposes are full time (35 hours or more per week), permanent positions (employed at least six months before claiming credit) which have not previously existed in Washington County, Maryland, before the business expanded or located in an Enterprise Zone.

Business Tax Year: From: _____ (month/day) To: _____ (month/day)

Number of Employees before locating or expanding in an Enterprise Zone:

 Full Time (35 hours or more per week): _____ Part Time (less than 35 hours per week): _____

Number of New Jobs created in the Enterprise Zone:

 Non-disadvantaged (not JTPA eligible): _____ Disadvantaged (JTPA eligible): _____

Projected Annual Payroll for these New Jobs:

 Non-disadvantaged: \$ _____ Disadvantaged: \$ _____

Please submit application to:

Washington County Department of Business Development
100 West Washington Street, Suite 1401
Hagerstown, MD 21740-4710
240-313-2280