



Larry Hogan | Governor
Boyd Rutherford | Lt. Governor
Kelly M. Schulz | Secretary of Commerce
Benjamin H. Wu | Deputy Secretary of Commerce

December 2, 2019

The Honorable Thomas V. Mike Miller, Jr.
President, Maryland Senate
State House, H-107
Annapolis, Maryland 21401-1991

The Honorable Adrienne A. Jones
Speaker, Maryland House of Delegates
State House, H-101
Annapolis, Maryland 21401-1991

RE: Opportunity Zone Enhancement Program Report

Dear President Miller and Speaker Jones:

Pursuant to Ch. 211, Acts of 2019, Section 5, I am pleased to submit the Department of Commerce's report on the Opportunity Zone Enhancement Program.

I look forward to your review of this report and will be available to furnish any additional information that is needed. If my staff or I can be of further assistance, or if you have any questions regarding this report, please contact me at 410-767-6301.

Sincerely,

A handwritten signature in blue ink that reads "Kelly M. Schulz".

Kelly M. Schulz
Secretary

cc: The Honorable Bill Ferguson

KMS/rjr

DIVISION OF FINANCE
OPPORTUNITY ZONE ENHANCEMENT TAX
CREDIT PROGRAM

STATUS REPORT

Submitted by:

Maryland Department of Commerce

December 2019

STATUS REPORT OPPORTUNITY ZONE ENHANCEMENT TAX CREDIT PROGRAM

PROGRAM OVERVIEW

Chapter 211, Acts of 2019 created the Maryland Opportunity Zone Enhancement Tax Credit program. This program allows businesses and investors participating in the Federal Opportunity Zone program to potentially qualify for enhanced tax credits under one of the following Maryland tax credit programs: More Jobs for Marylanders, Job Creation, One Maryland, Enterprise Zone, Biotechnology Investor Incentive and Cybersecurity Investor Incentive.

To qualify for the Opportunity Zone Enhancement program, the business must first meet the qualifications of the underlying tax credit program for which it is applying. For example, to qualify for the Job Creation Tax Credit (JCTC) enhanced credit of \$3,075 per qualified position (an increase on the standard JCTC credit of \$3,000), the business must first meet the qualifications of the JCTC program.

For the Job Creation, One Maryland, More Jobs for Marylanders, Enterprise Zone and Enterprise Zone Focus Area enhanced income tax credits, the business must be a Qualified Opportunity Zone Business (as defined in § 1400Z-2 of the Internal Revenue Code) and have received an investment from a Qualified Opportunity Fund (as defined in § 1400Z-2 of the Internal Revenue Code).

For the Biotechnology Investor Incentive and Cybersecurity Investor Incentive enhanced tax credits, the investor must be a Qualified Opportunity Fund (as defined in § 1400Z-2 of the Internal Revenue Code) and the Qualified Maryland Biotechnology or Qualified Maryland Cyber company which is receiving the investment must be located in an Opportunity Zone.

The additional requirements for Level 1 and Level 2 Enhancements are listed below:

Level 1 Opportunity Zone Enhancement

The Level 1 Opportunity Zone Enhancement program application requires the following information:

1. Date and amount of Qualified Opportunity Fund's investment in the Qualified Opportunity Zone Business
2. Total project or business investment, including leverage
3. Address and census tract of the business and/or fund
4. NAICs code of the business
5. An impact report including qualitative and quantitative data on the investment and its progress

Level 2 Opportunity Zone Enhancement

To qualify for Level 2 Enhancement credits, the business and/or fund must meet the Level 1 enhancement requirements and provide the following additional information:

1. Provide one of the following:
 - a. Name and address of residents of the communities in the Opportunity Zone that serve on the Governing Board or Advisory Board of the Qualified Opportunity Zone Business.
 - b. A copy of a community benefits agreement that is negotiated and agreed to by the **community groups** or **strategic industry partnerships** in the Opportunity Zone and the **Qualified Opportunity Zone Fund**
2. Provide one of the following
 - a. For applicants located in an Opportunity Zone within a municipality, provide a resolution or letter from the municipality approving the enhanced tax credits.
 - b. For applicants located in an Opportunity Zone that is NOT in a municipality, provide a resolution or letter from the County approving the enhanced tax credits.

Program Activity

Commerce has published on its website information about the program and created an application form to apply for enhanced credits. However, in the immediately preceding six months, there have been no applications for the Enhanced Credit under any of the programs.

Enhanced Credit Amounts

Program	Existing Benefit	Level 1 Benefit	Level 2 Benefit
More Jobs for Marylanders (10 Year Benefit)	Refundable income tax credit 5.75% of wages	Refundable income tax credit 6% of wages	Refundable income tax credit 6.25% of wages
Job Creation Tax Credit	\$3,000 per new job, \$5,000 per new job in a Revitalization Area	\$3,075 per new job; \$5,125 per new job in a Revitalization Area	\$3,300 per new job; \$5,500 per new job in a Revitalization Area
One Maryland Tax Credit (for businesses that create at least 50 new jobs)	Up to \$5,000,000 of eligible project costs	Up to \$5,125,000 of eligible project costs	Up to \$5,500,000 of eligible project costs
Enterprise Zone Income Tax Credit	\$1,000 per new job, up to \$6,000 over three years per new job for hiring economically disadvantaged employees	\$1,025 per new job, 7.5% increase per year over three years for hiring economically disadvantaged employees	\$1,200 per new job, 10% increase per year over three years for hiring economically disadvantaged employees
Enterprise Zone Focus Area Income Tax Credit	\$1,500 per new job, up to \$9,000 over three years per new job for hiring economically disadvantaged employees	\$1,540 per new job, 7.5% increase per year over three years for hiring economically disadvantaged employees	\$1,750 per new job, 10% increase per year over three years for hiring economically disadvantaged employees
Biotechnology Investor Incentive Tax Credit	50% of the investment in a QMBC up to \$250,000	65% of the investment in a QMBC up to \$575,000	75% of the investment in a QMBC up to \$750,000
Cybersecurity Investor Incentive Tax Credit (In OZs in a county other than Allegany, Dorchester, Garrett, or Somerset County)	33% of the investment in a QMCC up to \$250,000	33% of the investment in a QMCC up to \$300,000	50% of the investment in a QMCC up to \$500,000