

**CITY OF BALTIMORE**

BRANDON M. SCOTT, Mayor



**OFFICE OF COUNCIL SERVICES**

LARRY E. GREENE, Director  
415 City Hall, 100 N. Holliday Street  
Baltimore, Maryland 21202  
410-396-7215 / Fax: 410-545-7596  
email: larry.greene@baltimorecity.gov

**Committee: Economic and Community Development**

**Bill 22-0096R**

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**Approving the Submission of an Application to the State of Maryland for the Re-designation of Baltimore City's Modified Consolidated Enterprise Zone and its Focus Areas**

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**Sponsor:** Council President – Administration (Baltimore Development Corporation)

**Introduced:** March 7, 2022

**Purpose:**

For the purpose of approving the submission of an application to the State of Maryland to re-designate Baltimore City's modified Consolidated Enterprise Zone and its Focus Areas.

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**Agency Reports**

City Solicitor	
Department of Finance	
Baltimore Development Corporations	

## Background

The Baltimore Development Corporation (BDC) is a non-profit organization, which serves as the economic development agency for the City of Baltimore. BDC's mission is to retain and expand existing business, as well as attract new opportunities to spur economic growth and create jobs. BDC also oversees the Maryland State-funded Enterprise Zone Program for Baltimore City.

Enterprise Zones (EZ) encourage investment in distressed areas by offering incentives, such as tax credits, to existing businesses for expansion and by helping to attract new companies, to invest and create jobs. Enhanced incentives are also available to businesses located in designated Focus Areas which lie within the boundaries of the Enterprise Zone. Designation of the city-wide Enterprise Zone Focus Area is important as it signals prospective incentivized locations for business and development opportunities in the City over the next ten years. '

The current Enterprise Zone will expire on June 14, 2022. The State of Maryland requires a written expression of the sentiment of the Baltimore City Council endorsing the Enterprise Zone and Focus Area application to the Maryland Department of Commerce. If approved City Council Resolution 22-0096R would endorse the April 2022 application for re-designation of certain areas and extend the Enterprise Zone for a term of ten years (2032).

The current Enterprise Zone area consists of 13,453 acres. The proposed area would consist of 16,760 acres, including an additional 3,271 acres (see the attached map). Approval of the application would allow inclusion of the following areas in Baltimore City's Consolidated Enterprise Zone Focus Area.

- Belair Road
  - Downtown
  - Edmondson Square
  - Falls Road
  - Fayette Street
  - Frankford Avenue
  - Greenmount Avenue
  - Harford Corridor
  - Highlandtown
  - Greektown
  - Port Covington
  - Reisterstown Road
  - Sinclair Lane
  - North Washington Street, and
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- York Road Corridor

The application would also approve the Focus Areas, all of which lie within the Enterprise Zone. These Focus Areas are:

- Jones Falls
- Oldtown
- Carroll- Camden Industrial
- Central West
- Holabird/Orangeville, and
- South Industrial Areas, which is a new designation. (See the attached EZ map).

According to the State of Maryland Department of Commerce, Enterprise Zones can provide the following tax credits.

**Income Tax Credits:**

There are two types of income tax credits for businesses in an Enterprise Zone:

1. The General Income Tax Credit – The one-time \$1,000 tax credit for each qualified new employee filing a newly created position in an enterprise zone, or one-time \$1,500 credit for each qualified new employee in an enterprise zone focus area.
2. The Income Tax Credit for Economically Disadvantaged Employees – A three-year period tax credit for each qualified new economically disadvantaged employee, earned at the following amounts

	Enterprise Zone	Focus Area
First Year	\$3,000	\$4,500
Second Year	\$2,000	\$3,000
Third Year	\$1,000	\$1,500

**Property Tax Credits:**

Property tax credits benefits differ based on whether a business is located in an enterprise zone or an enterprise zone focus area:

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## Enterprise Zone

- Real Property Tax Credit – A ten-year tax credit against local real property taxes on a portion of real property expansion, renovation or capital improvement. The amount of credit is 80% of the "eligible assessment" in each of the first 5 years, and the credit decreases 10% annually (70%, 60%, 50%, 40%, 30%) for the subsequent 5 years.

## Enterprise Zone Focus Area

- Real Property Tax Credit for Focus Area– A ten-year tax credit against local real property taxes on a portion of real property expansion, renovation or capital improvement within a focus area. The amount of credit is 80% of the "eligible assessment" in each of the entire ten-year period.
- Personal Property Tax Credit – A ten-year tax credit against local personal property taxes on new investment in personal property within a focus area. The amount of credit is 80% of the "eligible assessment" in each of the entire ten-year period.

## **Eligibility**

Not every business located in an enterprise zone is eligible to receive tax credit. In order to claim the credit, the business must be certified by the local enterprise zone administrator as eligible for the credit.

## **Income Tax Credits:**

### General Requirements

Not every new employee hired by a business located in an enterprise zone is eligible for one of the enterprise zone income tax credits. The following requirements apply to both the general income tax credit and the income tax credit for hiring economically disadvantaged employees:

- The employee must have been hired after the business was located in the enterprise zone or focus area, or after the enterprise zone or focus area is designated,
  - The employee must have been employed for at least 35 hours per week for six months (or 12 months in a Focus Area) before or during the taxable year in which the credit is taken,
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- The employee must spend at least 50% of all work time in the enterprise zone or on activities of the business resulting from its location in the enterprise zone or focus area,
- The employee must have been hired to fill a new position. That is, the firm's number of full-time positions must increase by the number of credits taken, and
- The employee must earn at least 150% of the federal minimum wage.

#### Requirements for Economically Disadvantaged Employees:

The following requirements apply the income tax credit for hiring economically disadvantaged employees in addition to the general requirements:

- To claim the income tax credit for hiring the economically disadvantaged employees, the business must obtain the certification from the Maryland Department of Labor, Licensing and Regulation, and
- To receive the income tax credit, an economically disadvantaged employee must remain in the position for three years.

#### Property Tax Credits:

In order for a business to qualify for the property tax credit, it must meet all state and local eligibility requirements. To be qualified the business must satisfy one of the two specific statutory requirements, which are that business must either:

- (1) make an investment in capital improvements, or
- (2) hire new employees.

The business must contact the Baltimore Development Corporation regarding the local eligibility requirements.

#### Amendment

Baltimore Development Corporation is proposing an amendment for the Enterprise Zone map.

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### Additional Information

**Fiscal Note:** Not Available

**Information Source(s):** Bill 22-0096R, Baltimore Development Corporation; State of Maryland Department of Commerce

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Analysis by: Jennifer L. Coates  
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Direct Inquiries to: (410) 396-1260