



**Washington County, Maryland**

**Enterprise Zones  
State Income Tax Credits  
Local Real Property Credits**

**March 2018**

**Washington County  
Department of Business Development  
100 West Washington Street, Suite 1401  
Hagerstown, Maryland 21740  
240-313-2280 – Phone  
240-313-2281 – Fax  
[edcinfo@washco-md.net](mailto:edcinfo@washco-md.net)  
[www.washco-md.net/business-development/](http://www.washco-md.net/business-development/)**

## **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 and 2015, 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 Washington County Department of Business Development (DBD);
- 2) The certifying form from the Maryland Department of Labor 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 Department of Business Development. 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 Department of Business Development 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 Department of Business Development. 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 DBD) 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 (DBD) during the calendar year in which the construction is completed (by December 31<sup>st</sup>) in order to receive the tax credit in the upcoming tax year. Credits will be applied to tax bills issued on July 1<sup>st</sup> 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 <sup>th</sup> year	-	70%
7 <sup>th</sup> year	-	60%
8 <sup>th</sup> year	-	50%
9 <sup>th</sup> year	-	40%
10 <sup>th</sup> year	-	30%

To qualify as an eligible Enterprise Zone project, the property owner must apply to the DBD by completing the ***Request for Enterprise Zone Qualification*** form in this packet. The DBD will notify the property owner of approval via letter. A copy of this approval letter will be sent by the DBD 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 2018, will first receive the assessment credit on the July 1, 2019 tax bill (Fiscal Year 2018-2019). The base year is the assessment for the tax year beginning July 1, 2018; thus,

**Year 1**

<b>2018-2019 assessment</b> (current year, after construction or improvements)	=	<b>\$200,000</b>
<b>2017-2018 previous assessment</b>	=	<b>\$150,000</b>
<b>Increase in assessment</b>	=	<b>\$50,000</b>
<b>Credit allowed on assessment</b> (\$50,000 increased assessment x 80% = \$40,000)*	=	<b>\$40,000</b>

Using this example, a business in the City of Hagerstown, would receive the following credits on July 1, 2019:

<b>2018-2019 assessment</b>	=	<b>\$200,000</b>
<b>Property taxes without Enterprise Zone credits:</b>		
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
	<b>Property Taxes</b>	= <b>\$3,446</b>
<b>Property taxes with Enterprise Zone credits:</b>		
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
	<b>Property Taxes</b>	= <b>\$2,802</b>
	<b>Enterprise Zone tax credit</b>	= <b>(\$644)</b>

\* 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:

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.

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.

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 (DBD) 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 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 District<sup>1</sup> of the Hagerstown-Washington County Enterprise Zone. Contact the DBD 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.
  - Hagerstown-Washington County Enterprise Zone
  - Hancock Enterprise Zone
  
- Meet minimum eligibility criteria for Jobs or Capital Investment
- In the Central Business District of the 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) 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
  - Fax: 240-313-2281
  - Email: [edcinfo@washco-md.net](mailto:edcinfo@washco-md.net)
  - Website: [www.washco-md.net/business-development/](http://www.washco-md.net/business-development/)

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

**Local Contacts:**

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

All local Zones:                    *Linda Spence*, Washington County Department of Business Development  
100 West Washington Street, Suite 1401, Hagerstown, MD 21740-4710  
Ph.: 240-313-2280                    Fx.: 240-313-2281

Hancock only:                    *Joseph Gilbert*, 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  
14 North Potomac Street, Suite 100, Hagerstown, MD 21740  
Ph.: 301-393-8218

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

*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:                    *Michelle Hepburn*, Director of Finance  
City Hall, 1 East Franklin Street, Hagerstown, MD 21740  
Ph.: 301- 739-8577 ext. 160 or 301-766-4160

Hancock:                    *Joseph Gilbert*, 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***

*Mark Vulcan*  
*Finance Programs*  
Maryland Department of Commerce  
401 E. Pratt Street, 17<sup>th</sup> Floor, Baltimore, MD 21202  
Ph.: 410-767-4041  
mark.vulcan@maryland.gov

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

*Zachary Grisard*, Maryland Department of Assessments and Taxation  
300 West Preston Street, Room 605, Baltimore, MD 21201-2305  
Ph.: 410-767-1191

**Application for Maryland State Enterprise Zone Certification in the  
Hagerstown-Washington County or Town of Hancock, MD Enterprise Zone**

This application will determine whether your business, property, or developer is eligible for Maryland Enterprise Zone tax credits. If determined to be eligible, you will receive a letter from the Enterprise Zone Administrator indicating which tax credit(s) you are eligible to receive.

Applying For:

Income Tax Credit \_\_\_\_\_

Real Property Tax Credit \_\_\_\_\_

Personal Property Tax Credit (Applies only to Focus Area Zones) \_\_\_\_\_

**This Section is to be filled by Local Zone Administrators Only**

- To be eligible, an applicant must answer all questions in Sections A and B
- If applying for the "Property" tax credit, please complete Section C
- If applying for the "Employment (income)" tax credit, please complete Section D
- If the account is located in the Focus Area and you are applying for the "Personal Property" tax credit, please complete Section E

**Section A: Applicant Information**

Name of Business / Developer applying for Enterprise Zone credits:

\_\_\_\_\_

Name of Contact Person: \_\_\_\_\_

Title: \_\_\_\_\_

Phone: \_\_\_\_\_

Email: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

**Section B: Enterprise Zone Property Information**

Enterprise Zone Property Address: \_\_\_\_\_

Property Tax Account Number: \_\_\_\_\_

Property Ownership: \_\_\_\_\_

Lease: \_\_\_\_\_ Own: \_\_\_\_\_

**Section C: Enterprise Zone Property Improvements Information**

To be eligible for Enterprise Zone property tax credits, the application must be submitted prior to the project completion date and issuance of User/Occupancy Permits. If the developer or company making property improvements is applying on behalf of the property owner, the property owner must concur with the application by co-signing below. The property tax credits are automatically applied to the property tax bill (i.e., directly awarded to the property owner only). If you are not applying for the property tax credit, this section may be left blank.

Owner of the Real Property: \_\_\_\_\_

Mailing address of property owner: \_\_\_\_\_

Phone: \_\_\_\_\_

Email Address: \_\_\_\_\_

Project Start Date: \_\_\_\_\_

Anticipated Project Completion Date: \_\_\_\_\_

Briefly describe capital improvements plans: \_\_\_\_\_

\_\_\_\_\_

Type of Construction and Costs

Cost of building(s) & land (acquisition): \$ \_\_\_\_\_

New Construction: \$ \_\_\_\_\_

Rehabilitation: \$ \_\_\_\_\_

Cost of new machinery & equipment\*: \$ \_\_\_\_\_

I agree as a condition of certification to provide all data required by the Enterprise Zone Administrator as requested.

Name of Applicant: \_\_\_\_\_ Position/Title: \_\_\_\_\_

Applicant Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Name of Property Owner: \_\_\_\_\_ Position/Title: \_\_\_\_\_

Property Owner Signature: \_\_\_\_\_ Date: \_\_\_\_\_

\*Cost of new machinery & equipment is not a part of real property assessment.

**Section D: Enterprise Zone Employment Tax Credit Information**

To be eligible of Enterprise Zone employment tax credits, please complete the following section. Employment tax credits to be applied against State income tax liabilities are available for certain new employees hired in the Enterprise Zone. The requirements for qualified employees can be found on Maryland Department of Commerce Website: <http://commerce.maryland.gov/fund/programs-for-businesses/enterprise-zone-tax-credit>. If you are not applying for the employment tax credit, this section may be left blank.

Federal Employer Identification Number (EFIN): \_\_\_\_\_

Unemployment Insurance #: \_\_\_\_\_ NAICS Code (if available): \_\_\_\_\_

Type of Business (i.e., restaurant, retail, financial services, etc.): \_\_\_\_\_

Is business located in the Enterprise Zone now? Yes \_\_\_\_ No \_\_\_\_

If yes, since what year: \_\_\_\_\_

Is the business relocation from another place? Yes \_\_\_\_ No \_\_\_\_

If yes, where was the previous location?: \_\_\_\_\_

Is the business a new, start-up? Yes \_\_\_\_ No \_\_\_\_

Did the Enterprise Zone benefits affect your decision to locate at this address? Yes \_\_\_\_ No \_\_\_\_

If yes, please explain how the Enterprise Zone benefits will assist your business:

\_\_\_\_\_

Number of existing employees: \_\_\_\_\_

If you are new to the Enterprise Zone, please provide the number of employees before relocating or locating in the Enterprise Zone: \_\_\_\_\_

If you were already located in the Enterprise Zone, please provide the number of employees as of date of this application in the Enterprise Zone: \_\_\_\_\_

Number of new full-time jobs to be created in the Enterprise Zone in the next 12 months: \_\_\_\_\_

Number of new part-time jobs to be created in the Enterprise Zone in the next 12 months: \_\_\_\_\_

I agree as a condition of certification to provide all data required by the Enterprise Zone Administrator as requested.

Name of Applicant: \_\_\_\_\_ Position/Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Section E: Enterprise Zone Personal Property Tax Credit (For Focus Area Only) Information**

To be eligible for Enterprise Zone personal property tax credits, the project or a business must be in a Focus area. This tax credit is based on the personal property assessment.

Owner of the Personal Property: \_\_\_\_\_

Mailing address of property owner: \_\_\_\_\_

Phone: \_\_\_\_\_

Email Address: \_\_\_\_\_

Project Start Date: \_\_\_\_\_

Anticipated Project Completion Date: \_\_\_\_\_

Briefly describe capital improvements plans: \_\_\_\_\_

\_\_\_\_\_

Type of Costs:

New Machinery & Equipment: \$ \_\_\_\_\_

I agree as a condition of certification to provide all data required by the Enterprise Zone Administrator as requested.

Name of Applicant: \_\_\_\_\_ Position/Title: \_\_\_\_\_

Applicant Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Name of Property Owner: \_\_\_\_\_ Position/Title: \_\_\_\_\_

Property Owner Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Return completed form to:**

Linda Spence, Washington County, MD Enterprise Zone Administrator  
Washington County Department of Business Development  
100 West Washington Street, Suite 1401  
Hagerstown, MD 21740  
[LSpence@WashCo-MD.net](mailto:LSpence@WashCo-MD.net)

Please feel free to call 240-313-2286 if you have any questions.