

Arts and Entertainment Districts Property Tax Credit

Program Purpose and Description

This program is designed to encourage the renovation of buildings for use by artists or arts and entertainment enterprises by lessening the financial burden on property owners. Baltimore City currently has two Arts and Entertainment (A&E) Districts: Station North (designation effective by the State of Maryland on July 1, 2002) and Highlandtown (designation effective by the State of Maryland on July 1, 2003).

The program provides:

A **10-year tax credit** against the property tax imposed on buildings located in the designated A&E District that are wholly or partially renovated for use by a qualified residing artist or A&E enterprises. The amount of the tax credit varies annually as it is based on a sliding percentage scale; see the Credit Calculation section on the subsequent page for more information as to how the tax credit is calculated.

The property tax credit **applies only to improvements** made on the property after July 1, 2002 and only for the portion used by a qualifying residing artist or A&E enterprise. This tax credit cannot be applied to any property for which any other tax subsidy from the City is being received or has been applied for, other than a Maryland Enterprise Zone Tax Credit.

This property tax credit is **transferable** to a purchaser of the property for the remaining term of the credit, provided the property continues to meet continuing eligibility requirements--see Step 5 of the Application Process section on the following pages for more information.

The property owner must apply to the Department of Finance for a tax credit **within 90 days of receipt of an assessment notice** reflecting the eligible assessment. Additionally, applications for the property tax credit will **not** be accepted after the 10th year from the date the district was designated by the State; for Station North application will not be accepted after July 1, 2012 and for Highlandtown after July 1, 2013.

Property Tax Credit Qualifications

- The eligible assessment will be determined by the State Department of Assessments and Taxation based on the qualifying renovations.
 - Qualifying renovations are those that are made to a manufacturing, commercial, or industrial building located in a State-designated A&E district and for use by a qualifying residing artist or A&E Enterprise.
- Qualifying residing artists and A&E enterprises are defined by Article 83A, §4-701 of the Maryland Code. View the authorizing legislation at the following website: <http://www.michie.com/maryland/lpExt.dll?f=templates&eMail=Y&fn=main-h.htm&cp=mdcode/ac6d/adc0/aeda/aedb>. A summary of the definitions are below:
 - Qualifying residing artist is an individual who owns or rents residential real property in an A&E district AND conducts a business in the A&E district AND

derives income from the sale or performance within the A&E district of an artistic work that the individual wrote, composed, or executed either solely or collectively.

- Arts and entertainment enterprise is a for-profit or not-for-profit entity dedicated to visual or performing arts.
- The property owner must apply to the Department of Finance for a tax credit **within 90 days of receipt of an assessment notice** reflecting the eligible assessment. The property owner must certify the date on which he/she receives the assessment notice and the Department of Finance must receive the application within 90 days of that date. This 90 day time frame is NOT flexible and is strictly applied.
- To remain eligible, the taxpayer must maintain the property in compliance with all City housing, building, health, fire, and other applicable City Code requirements and remain current on all payments due to the City. The property (the whole or the eligible portion) must also remain in use by a qualifying artist or A&E enterprise, with the taxpayer providing to the Department of Finance an annual certification of that continued use. See Step 5 of the Application Process section for further information about the annual re-certification process.

Credit Calculation

Improvements NOT Within a State-Designated Enterprise Zone							
	Base Assessment Before Improvement	Base Assessment After Improvement	Improvement Value*	Credit %	Amount Eligible for Credit	City Tax Rate **	Credit Amount
Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Calculation			(2) - (1)		(3) * (4)		(5) * (6)
Year 1	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.268	\$5,443.20
Year 2			\$300,000	80%	\$240,000	2.268	\$5,443.20
Year 3			\$300,000	80%	\$240,000	2.268	\$5,443.20
Year 4			\$300,000	80%	\$240,000	2.268	\$5,443.20
Year 5			\$300,000	80%	\$240,000	2.268	\$5,443.20
Year 6			\$300,000	70%	\$210,000	2.268	\$4,762.80
Year 7			\$300,000	60%	\$180,000	2.268	\$4,082.40
Year 8			\$300,000	50%	\$150,000	2.268	\$3,402.00
Year 9			\$300,000	40%	\$120,000	2.268	\$2,721.60
Year 10			\$300,000	30%	\$90,000	2.268	\$2,041.20

* The tax credit is calculated only on the assessment related to the improvements not the total assessment.
 ** Assumes no tax rate change during the five year credit period.

Improvements Within a State-Designated Enterprise Zone							
	Base Assessment Before Improvement	Base Assessment After Improvement	Improvement Value *	Credit %	Amount Eligible for Credit	City Tax Rate **	Credit Amount
Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Calculation			(2) - (1)		(3) * (4)		(5) * (6)
Year 1	\$500,000	\$800,000	\$300,000	20%	\$60,000	2.268	\$1,360.80
Year 2			\$300,000	20%	\$60,000	2.268	\$1,360.80
Year 3			\$300,000	20%	\$60,000	2.268	\$1,360.80
Year 4			\$300,000	20%	\$60,000	2.268	\$1,360.80
Year 5			\$300,000	20%	\$60,000	2.268	\$1,360.80
Year 6			\$300,000	30%	\$90,000	2.268	\$2,041.20
Year 7			\$300,000	40%	\$120,000	2.268	\$2,721.60
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Year 10			\$300,000	70%	\$210,000	2.268	\$4,762.80

* The tax credit is calculated only on the assessment related to the improvements not the total assessment.
** Assumes no tax rate change during the five year credit period.

Contact

Baltimore City Bureau of Revenue Collections Call Center
410-396-3971
BaltimoreCityCollections@baltimorecity.gov
Monday – Friday 8:30 a.m. – 4:30 p.m.

Legal Reference

- Baltimore City Code, Article 28-Taxes, Section 10-14 (Ordinance No. 02-462)
- State of Maryland Annotated Code, Article 83A, §4-701

Application Process:

Step 1. Owner should complete the application and **attach evidence of appropriate building permits** (go to <http://www.baltimorehousing.org/index/permits.asp> to download a building permit application or http://www.baltimorehousing.org/CELS/Search_TM_MAP.aspx to print out a list of all building permits issued for your particular property which can be used to fulfill the requirements for this tax credit).

Step 2. Owner **must secure assessment information substantiating the increased value** (#10 on application) of the real property due to the improvements made to the property. This information can be obtained from the State Department of Assessments and Taxation, 6 St. Paul Street. For additional information, please contact SDAT at the following:

Phone (410) 767-8250
Fax (410) 333-4626
E-mail: baltcity@dat.state.md.us

Step 3. Owner should return completed one-time application with all supporting documentation to:

City of Baltimore
Department of Finance
Bureau of Revenue Collections
Abel Wolman Municipal Building, Revenue Accounting- Room 3
200 North Holliday Street
Baltimore, MD 21202

Step 4. The Bureau of Revenue Collections will review the application and if approved, will calculate the appropriate credit. If disapproved, the Bureau of Revenue Collections will contact the property owner.

Step 5. Eligibility for the credit in any year is conditioned on the following: compliance with all City Housing, Building, Health, Fire and any other applicable Code requirements; remain current on all payments due to the City; and continue to use the property or eligible portion of the property by a qualifying residing artist and/or an A&E enterprise. The law requires that the property owner **submit an annual certification** to the Department of Finance to show that the use of the property continues to be in compliance with the terms of the property tax credit. The Department of Finance requires the following:

- An itemized list of all qualified residing artists and/or A&E enterprises that occupy the space subject to the property tax credit;

- A copy of the lease and cancelled monthly rent checks for the qualified residing artists and/or A&E enterprises that occupy the space subject to the tax credit; and,
- The state sales tax account number for the qualified residing artists and/or A&E enterprises that occupy the space.

The property owner must submit this recertification information by May 1 of each year in order to continue to receive the property tax credit for the next tax year.

City of Baltimore
Department of Finance
Bureau of Revenue Collections
Abel Wolman Municipal Building
Accounting- Room 3
200 North Holliday Street
Baltimore, MD 21202
(443) 984-4051

APPLICATION FOR ARTS AND ENTERTAINMENT DISTRICT
PROPERTY TAX CREDIT

1. _____

Property Address

2. _____

Property Reference Number (Ward/Section/Block/Lot)

3. _____

Company Name

4. _____

Company Address

5. _____

Name of Qualifying Residing Artist and/or A&E Enterprise

6. _____

Address of Qualifying Residing Artist and/or A&E Enterprise

7. _____

Total Square Footage of Property

8. _____

Square Footage Dedicated to A&E

9. _____

Type of Use (commercial, manufacturing, residential, other)

10. Have you received a notice of reassessment? If yes, go to 14A. If no, this credit does not apply until reassessed.

10A. Assessed value of Improvement: _____

10B. **Attach** a copy of the State Department of Assessments and Taxation Assessment Certification.

