

Annapolis Arts & Entertainment District Tax Benefits

Maryland is one of the first states in the country to develop Arts and Entertainment Districts on a statewide basis. The benefits offered to designated districts include property tax credits for new construction or renovation of certain buildings that create live-work space for artists and/or space for arts and entertainment enterprises, an income tax subtraction modification for income derived from artistic work sold by "qualifying residing artists", and an exemption from the Admissions and Amusement tax levied by an "arts and entertainment enterprise" or "qualifying residing artist" in a district. Arts and Entertainment Districts will further the goals of Smart Growth by locating within a Priority Funding Area and by carefully coordinating with local plans and policies for economic development.

Income Tax Subtraction Modification

To qualify for this artist income tax benefit, one must meet these three minimum criteria:

- Be a qualifying residing artist in Anne Arundel County
- Create artistic work, as defined above, within the Arts & Entertainment District
- Generate income from that work within the Arts & Entertainment District

If one meets all three of the above criteria, an artist may be eligible for a state and local income tax deduction.

The tax deduction – or income tax subtraction modification – is not a tax credit. Instead, artists who create and sell work within the district are not taxed on the income derived from art and art enterprises. This tax benefit only applies at the state level. Artists continue to pay the full amount of federal income tax.

An Income Tax Subtraction Modification for income derived from artistic work sold by "qualifying resident artists". Artists who qualify do not pay state or local income tax on income derived from artistic work created and sold within the district.

An exemption from the Admission and Amusement Tax levied on gross receipts from an admissions or amusement charge levied by an "arts and entertainment enterprise" or "qualifying residing artist" in a district.

Definitions:

A qualifying residing artist is an individual who

Owns or rents residential real property in the County in which the district is located.

Conducts an arts or entertainment business in the district, and

Derives income from the sale or performance within the district of an artistic work that the individual wrote, composed, or executed wholly or primarily within the District, either solely or with one or more individuals.

An **artistic work** is an original and creative work, whether written, composed or executed, that falls within one of the following categories; a book or other writing, a play or performance of a play, a musical composition or the performance of a musical composition, a painting or other picture, a sculpture, traditional or fine crafts, the creation of a film or the acting within a film, the creation of a dance or the performance of a dance, the creation of original jewelry, clothing, or clothing design. And any produce generated as a result of any of the categories listed above.

Artistic work does not include any piece or performance created or executed for industry-oriented or industry related production, such as a commercial or advertising copy.

An **Arts and Entertainment Enterprise** is a for-profit or nonprofit entity dedicated to visual or performing arts, excluding "adult entertainment".

Arts & Entertainment District Real Estate Tax

Incentives

Real Property Tax Credit for the renovation of existing buildings or the construction of new buildings that are capable for use by "qualifying residing artists".

An exemption from the Admission and Amusement Tax levied on gross receipts from an admissions or amusement charge levied by an "arts and entertainment enterprise" or "qualifying residing artist" in a district.

Property Tax Credit

During a 10 year period, a real property tax credit against qualifying property in the A&E DISTRICT will be provided by the City of Annapolis and Anne Arundel County. The intent is to reduce the tax levied on the assessment increase due to construction or renovation of eligible buildings. This credit is available for space in manufacturing, commercial, or industrial buildings that are constructed or renovated for use by a Qualifying Residing Artist or an Arts and Entertainment enterprise.

The credit applies to the resulting increase as follows:

1. 100% in each of the first 3 years
2. 75% in the 4th and 5th years
3. 50% in the 6th and 7th years
4. 25% in the 8th and 9th years
5. 10% in the 10 year
6. 0% after the 10th year.

Admission and Entertainment Tax Exemption

This tax exemption is:

applied to gross receipts from an admissions or amusement charge, and
applied to commercial arts and entertainment enterprises and qualifying residing artists located
within the district.

A&E District Boundaries

The boundary descriptions for the Annapolis Arts & Entertainment District are detailed below:

- Starting at Northwest St and Calvert St, all property along Northwest between Calvert and W Washington St. excluding St. Anne 's Cemetery property.
- All property along W. Washington St. (includes the Stanton Center).
- All property along Clay St between Calvert St. and Pleasant St.
- All property on the East-facing side of Pleasant St.
- All property on the North-facing side (even numbered address) of West St. between Calvert St. and Jefferson Pl. including the Loews Annapolis Hotel.
- All property on the South-facing (odd numbered address) side of West St. between Cathedral St. and Amos Garrett Blvd.
- All property contained within the Three- Way intersection of West St., Spa Rd. and Brown St. (Severn Savings and Trust)
- All property along the South-facing side of Spa Rd between West St. and Central St. including the entire Maryland Hall complex.
- All property on the South-facing side of Smithville St. including the Bates Middle School.
- All property on the North-facing side of Spa Rd. between Smithville St. and Central St.
- All property along Central St. (both sides).
- All property on the North-facing side of Rosemary St.

Questions?

Email us at annapolisartsdistrict@gmail.com, we're here to help!