

MAKING THE MOST OF YOUR ARTS & ENTERTAINMENT DISTRICTS:

TAX INCENTIVES FOR INDIVIDUAL ARTISTS

In this policy brief, we'll cover the Maryland Arts and Entertainment Districts Income Tax Subtraction Modification for Individual Artists (Form 502AE), which we'll refer to as the **A&E District Income Tax Incentive**. It can be used by a variety of creative people, including actors, painters, musicians, and designers.

HOW DOES IT WORK?

Using the A&E District Income Tax Incentive, a "qualifying residing artist" will not pay state income tax on income derived from the sale of "qualifying artistic work." The qualifying residing artist will deduct qualifying income on the tax form Maryland 502AE prior to the calculation of their state taxes.

IN OTHER WORDS...

If you are a qualifying artist living in Maryland, creating qualifying work in a state designated Arts & Entertainment District, you do not pay state income tax on income derived from selling that work in an Arts & Entertainment District by filing form 502AE.

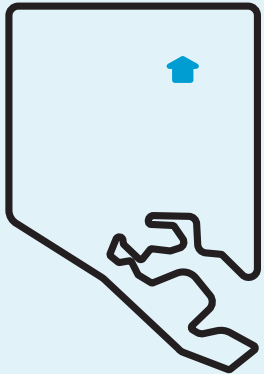
WHO IS A "QUALIFYING RESIDING ARTIST"?

A qualifying artist must:

- » Be a resident of Maryland
- » Create artistic work within a state designated Arts & Entertainment District
- » Sell, publish, produce, or perform that work in a designated Arts & Entertainment District

FOR EXAMPLE

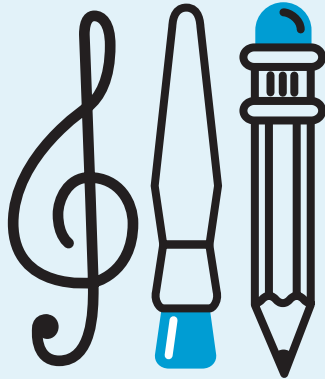
LIVE IN MARYLAND



An artist rents an apartment in Baltimore's Lauraville neighborhood.

+

CREATE WORK IN AN A&E DISTRICT



She paints at her Area 405 studio in the Station North Arts & Entertainment District.

+

SELL WORK IN AN A&E DISTRICT



She sells several paintings at the Maryland Art Place in the Bromo Tower Arts & Entertainment District.

Normally, she would pay state income tax on the income she earns from the sale of the painting, but if she files form 502AE, she gets to keep the tax on the income that otherwise would have been collected by the State.

WHAT IS "QUALIFYING ARTISTIC WORK"?

To qualify for the A&E District Income Tax Incentive, your work must fall into 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 original jewelry or clothing design
- » Any product generated as a result of the categories listed above

READ THE FINE PRINT!

Unfortunately, “artistic work” does not include industry-oriented or industry-specific production. For example, commercial photographers or writers who create advertising copy do not qualify for the tax credit. Tailoring services, clothing alteration, and jewelry repair do not qualify.

Income from royalties, licenses, or other future revenues from the sale of reproduction or publishing rights do not qualify for the A&E District Income Tax Incentive.

WHO CAN I CONTACT TO OBTAIN MORE INFORMATION ABOUT THIS, AND OTHER INCENTIVE PROGRAMS ASSOCIATED WITH MARYLAND’S ARTS AND ENTERTAINMENT DISTRICTS?

In Baltimore, you have a few different options: Baltimore’s Arts & Entertainment District Management:

- » Bromo Tower Arts & Entertainment District:
bromodistrict.org
- » Highlandtown Arts & Entertainment District
highlandtownarts.com
- » Station North Arts & Entertainment District
stationnorth.org
- » Maryland State Arts Council
msac.org

State Comptroller:

Web: marylandtaxes.com

Email: TAXHELP@comp.state.md.us

Phone: 410-260- 7980.

WHERE CAN I FIND A LIST OF MARYLAND’S STATE DESIGNATED ARTS AND ENTERTAINMENT DISTRICTS?

As of January 1, 2015 there are 22 designated Arts & Entertainment Districts across Maryland. As a place-based incentive, the A&E District Income Tax Incentive is applicable for use in the following state-designated Arts & Entertainment Districts:

Annapolis Arts & Entertainment District
Bel Air Arts & Entertainment District
Bethesda Arts & Entertainment District
Berlin Arts & Entertainment District
Bromo Tower Arts & Entertainment District (Baltimore)
Cambridge Arts & Entertainment District
Cumberland Arts & Entertainment District
Denton Arts & Entertainment District
Elkton Arts & Entertainment District
Frederick Arts & Entertainment District
Frostburg Arts & Entertainment District
Gateway Arts & Entertainment District (Brentwood/North Brentwood/Hyattsville/Mount Rainier)
Hagerstown Arts & Entertainment District
Havre de Grace Arts & Entertainment District
Highlandtown Arts & Entertainment District (Baltimore)
Historic Stevensville Arts & Entertainment District
Leonardtown Arts & Entertainment District
Salisbury Arts & Entertainment District
Snow Hill Arts & Entertainment District
Silver Spring Arts & Entertainment District
Station North Arts & Entertainment District (Baltimore)
Wheaton Arts & Entertainment District

CHECKLIST

- ❑ Maryland Form 502AE “Subtraction for income derived within arts and entertainment district(s)” (forms.marylandtaxes.com/14_forms/502AE.pdf)
- ❑ Maryland Form 502 (forms.marylandtaxes.com/14_forms/502.pdf)
- ❑ Invoices, photos, and/or other documentation for your own records to substantiate the sale and nature of the work sold.

MORE FINE PRINT!

- » This tax incentive is for state income tax only. You will still need to pay federal tax.
- » This tax incentive does NOT affect sales tax.
- » This pamphlet is for educational purposes only. Consulting a professional accountant on questions about this tax incentive or other questions pertaining to filing personal taxes is highly recommended.

THE FULL A&E DISTRICT INCOME TAX INCENTIVE LANGUAGE IS AVAILABLE IN MD CODE, ECONOMIC DEVELOPMENT ARTICLE, §§4-701-4-707