

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 675
Ways and Means

(Montgomery County Delegation)

Budget and Taxation

**Montgomery County - Property Tax Credit for Qualified Enterprise Zone
Property - Burtonsville
MC 14-13**

This bill alters the definition of qualified enterprise zone property for purposes of a specified local property tax credit in Montgomery County to include property that (1) is located within the area encompassed by the Burtonsville Crossroads Neighborhood Plan developed by the Montgomery County Planning Department; (2) is zoned for commercial or commercial/residential mixed use development; and (3) has had improvements made on it on or before January 1, 2020.

The bill takes effect June 1, 2013, and applies to taxable years beginning after June 30, 2013.

Fiscal Summary

State Effect: None.

Local Effect: Montgomery County has not enacted a local enterprise zone property tax credit. The county currently provides tax credits to qualifying businesses that locate within an enterprise zone through an existing State tax credit program. Pursuant to this bill, qualifying businesses in the Burtonsville area would be eligible for a local property tax credit depending upon whether the county enacts the local option property tax credit.

Small Business Effect: None.

Analysis

Current Law: Montgomery County or a municipality in the county is authorized to provide a property tax credit for improvements made by an eligible business entity to qualified enterprise zone property; and for personal property owned by an eligible business entity located on qualified enterprise zone property. The jurisdiction may provide for the amount and duration of the tax credit, qualifications for eligibility, and other provisions for the tax credit. In addition, a business entity that receives an enterprise zone property tax credit must provide to a tenant under a lease agreement an amount equivalent to the enterprise zone property tax credit.

An eligible business entity is defined as a person who operates or conducts a trade or business on qualified enterprise zone property but does not own the property. Qualified enterprise zone property is defined as real property that (1) is used in a trade or business by an eligible business entity; (2) is not used for residential purposes; and (3) is located in an enterprise zone and eligible for an enterprise zone property tax credit.

State Tax Credit Program

Businesses located within a Maryland enterprise zone are eligible for local property tax credits and State income tax credits for 10 years after the designation of the enterprise zone. Any business moving in after the designation qualify for the tax credits, if the business meets all applicable eligibility standards, is certified as being in compliance by the appropriate local government, and creates new or additional jobs or makes capital investments. Any business that is already located in an area that is designated an enterprise zone can qualify for the credit for the capital investment and labor force expansion occurring after designation of the enterprise zone.

Real property tax credits are 10-year credits against local real property taxes on a portion of the qualifying real property improvements in the enterprise zone. The State Department of Assessments and Taxation reimburses local governments for one-half of the cost of the property tax credit. The income tax credit is based on wages paid to newly hired employees and can be taken over a one- to three-year period. The credits are based on the wages paid during the taxable year to each qualified employee and vary in value and length of time depending on whether the employee is certified from the Department of Labor, Licensing, and Regulation as being economically disadvantaged and if the business is located in a focus area.

Background: Maryland's enterprise zone program is a joint effort between the State and local governments to provide tax incentives to businesses and property owners located in economically distressed areas. The program was created in 1982 and there are currently 30 enterprise zones in Maryland, of which three (Gaithersburg, Long Branch/Takoma

Park, and Wheaton) are located in Montgomery County. In fiscal 2011, 78 businesses were located within enterprise zones in Montgomery County and these businesses received \$1.6 million in property tax credits from the county as shown in **Exhibit 1**.

Exhibit 1
Enterprise Zone Tax Credit – Montgomery County
Tax Year 2000 – 2011

<u>Tax Year</u>	<u>Credit Amount</u>	<u>Recipients</u>	<u>Credit Amount Per Recipient</u>
2000	\$162,747	13	\$12,519
2001	354,503	44	8,057
2002	428,204	49	8,739
2003	532,275	51	10,437
2004	1,406,975	73	19,274
2005	1,752,704	83	21,117
2006	1,742,777	75	23,237
2007	2,059,801	85	24,233
2008	2,204,755	88	25,054
2009	1,992,053	84	23,715
2010	1,209,611	82	14,751
2011	1,588,492	78	20,365

Local Fiscal Effect: Montgomery County has not enacted the local enterprise zone property tax credit. The county currently provides tax credits to qualifying businesses that locate within an enterprise zone through an existing State tax credit program. Pursuant to this bill, qualifying businesses in the Burtonsville area would be eligible for the local property tax credit assuming that the county enacts such a program. The total cost for the additional property tax credits will depend on the number of businesses qualifying for the local property tax credit and the tax credit amount provided under the local program. As shown in Exhibit 1, the tax credit amount received by qualifying businesses in Montgomery County under an existing enterprise zone State tax credit program has ranged from \$8,000 per recipient to over \$25,000 per recipient.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Montgomery County, Department of Legislative Services

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ncs/hlb

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