

Business Tax Credits Should Be Subject to Basic Transparency, Reporting Standards

Position Statement in support of House Bill 1026

Given before the House Ways and Means Committee

Maryland's budget is a moral document that has the power to move us toward broadly shared prosperity if invested wisely, and just as much power to move us in the wrong direction if not. Transparency is essential to ensure our shared investments benefit every Marylander, not just the powerful few. Ensuring that public investments in business tax credits have the outcomes intended when the legislature established them should be no exception. For these reasons, the Maryland Center on Economic Policy supports House Bill 1026.

Maryland provides millions of dollars each year to businesses with the goal of spurring development and creating jobs, particularly in communities that are currently lacking economic opportunity, or to make Maryland more attractive for certain industries. State evaluations of tax incentive and economic development loan programs routinely show that these subsidies are not effective¹. That makes it even more imperative that the state collect, report, and review data on all of its economic development programs.

House Bill 1026 would improve the information available in the Department of Commerce's public database: which businesses received credits, how much they received, the number of jobs created and the salary of those jobs, and whether the business has met the requirements of the credit. It would also add four tax credits to the list of economic development tax credits that must be included in the database.

Having sufficient information about the full range of tax credits in one place would make it easier for policymakers and the public to evaluate the full scope of the state's investment in economic development. This could help identify things like whether the credits are going to the areas of the state that most need investment, whether the credits are creating the jobs intended, and whether one company or industry is getting a disproportionate share of the benefits.

Good data is the foundation of good public policy. Increased transparency around Maryland's business subsidies will allow the public to better understand how our shared resources are being used and allow policymakers to ensure programs are working as intended.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Appropriations Committee make a favorable report on House Bill 1026.

Equity Impact Analysis: House Bill 1026

Bill summary

House Bill 1026 adds additional reporting requirements to the state's public database of tax credits and adds four tax credits to the list of economic development incentives that must be included in the database.

Background

Maryland has maintained a similar database since 2010, although it does not currently include all of the data required under HB 1026. It also currently leaves out some of the newer economic development tax credits.

Equity Implications

Strengthening transparency standards could bring a number of equity benefits:

- Greater transparency will allow the public to determine whether the state is equitably awarding tax credits to small, minority, and women-owned businesses.
- Greater transparency will allow the public to determine whether the state is investing public resources in companies that have good labor practices and are creating high-paying jobs.
- Greater transparency could help identify trends in the state's economic development programs, such as favoring certain communities over others.

Impact

House Bill 1026 would likely **improve racial and economic equity** in Maryland.

ⁱ See the following Department of Legislative Services analyses for detailed discussion:

Robert Rehrmann, Matthew Bennett, Benjamin Blank, Mya Coover, Mindy McConville, Heather Ruby, and Michael Sanelli, "Evaluation of the Enterprise Zone Tax Credit," Department of Legislative Services, 2014, <http://dls.maryland.gov/pubs/prod/TaxFiscalPlan/WEB-Evaluation-of-the-Enterprise-Zone-Tax-Credit.pdf>

Robert Rehrmann, Matthew Bennett, Benjamin Blank, George Butler, Mya Dempsey, Mindy McConville, Maureen Merzlak, and Heather Ruby, "Evaluation of the Maryland Film Production Activity Tax Credit," Department of Legislative Services, 2015, <http://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation-of-the-Maryland-Film-Production-Activity-Tax-Credit.pdf>

Robert Rehrmann, George Butler, Katylee Cannon, Annette Haldeman, Kamar Merritt, Maureen Merzlak, Heather Ruby, Nancy Scaggs, and Charity Scott, "Evaluation of the Biotechnology Investment Incentive Tax Credit," Department of Legislative Services, 2018, <http://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation-of-the-Biotechnology-Investment-Incentive-Tax-Credit-Report.pdf>

Warren Deschenaux, "Draft Evaluation of the Businesses that Create New Jobs Tax Credit," Department of Legislative Services, 2016, <http://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation-of-the-Businesses-that-Create-New-Job-Tax-Credit.pdf>

Robert Rehrmann, Benjamin Blank, Mya Coover, Mindy McConville, and Heather Ruby, "Evaluation of the One Maryland Economic Development Tax Credit," Department of Legislative Services, 2014, <http://dls.maryland.gov/pubs/prod/TaxFiscalPlan/WEB-Final-One-MD-Report.pdf>