



Larry Hogan | Governor
Boyd Rutherford | Lt. Governor
Kelly M. Schulz | Secretary of Commerce

DATE: January 26, 2021 **COMMITTEE:** Senate Budget and Taxation
BILL NO: Senate Bill 496
BILL TITLE: Recovery for the Economy, Livelihoods, Industries, Entrepreneurs, and Families (RELIEF) Act
POSITION: Support

The Maryland Department of Commerce (Commerce) supports Senate Bill 496 Recovery for the Economy, Livelihoods, Industries, Entrepreneurs, and Families (RELIEF) Act.

Bill Summary:

Senate Bill 496 will support families and businesses who have been negatively impacted by the Covid-19 pandemic by:

- Providing direct stimulus payments for 400,000 low-to-moderate income Marylanders, with benefits of up to \$750 for families and \$450 for individuals.
- Repealing all state and local income taxes on unemployment benefits incurred in 2021 going forward, providing further support and assistance for Marylanders who have lost their jobs.
- Supporting 55,000 small businesses with sales tax credits of up to \$3,000 per month for four months—for a total of up to \$12,000.
- Extending unemployment tax relief for small businesses, staving off sudden and substantial tax hikes in 2021. This provision codifies an emergency order the governor issued last month.
- Safeguarding Maryland business owners against any tax increase triggered by the use of state loan or grant funds. This relief would come at a net zero cost to the state while saving businesses an estimated \$40 million.
- Providing support for live music and performance venues, awards for more than 90 live music and performance venues, live entertainment promoters, and independently-owned local movie theaters whose operations have been impacted by COVID-19. The funding will directly help preserve more than 800 jobs.

Background:

From the very start of this pandemic, Governor Hogan has been committed to providing relief for Marylanders and Maryland businesses, and to keeping our economy strong until COVID-19 is behind us once and for all. So far, this administration has provided over \$700 million in Coronavirus relief funding, with business assistance that has included:

- \$220 million in emergency grant and loan assistance for small businesses, with that \$75 million in loans now converted to grants so those businesses are not burdened with debt during this uncertain period.
- \$5 million to support manufacturers so they could begin or accelerate production of personal protective equipment early in the pandemic.

- \$10 million for additional loans to economically disadvantaged businesses through our MSBDFFA program.
- \$7 million in funding for artists and arts organizations through the Maryland State Arts Council.
- \$80 million in restaurant relief and \$50 million in hotel relief; those funds were provided to the local jurisdictions for disbursement.
- \$30 million for the Layoff Aversion Fund administered by Department of Labor, which helped businesses ensure employees could telework, and helped cover the cost of additional cleaning and sanitation measures businesses might need to stay open.
- \$20 million relief for Main Street Maryland Communities through the Department of Housing and Community Development.
- \$47 million for nonprofits.

Rationale:

Governor Hogan has already done a lot to support businesses and families impacted by Covid-19, but as the pandemic has dragged on, it hasn't been enough. Many businesses have had to close and thousands of Marylanders are still out of work. Marylanders need more relief, and Senate Bill 496 can provide it.

A few provisions of the bill focus specifically on Maryland's small businesses. The sales tax relief will allow more than 55,000 small businesses in the state to take that money and apply it directly to payroll and other essential operations costs. This will help businesses keep the doors open and the lights on. Another benefit of this relief is it will help their employees pay their bills, put food on their tables, and care for their families. Additionally, tax relief for businesses who have received grants or loans from the State will allow those businesses to utilize the full benefit of the funds. The Governor's intent was not to provide this funding so a percentage would come back to the State through taxes, and this provision of SB 496 will fix that. A final provision specifically included to assist small businesses is a statutory change to the MSBDFFA program to allow loans provided through MSBDFFA for Covid-19 relief to be converted to grants. The current MSBDFFA statute does not allow for loans to be forgiven, and this change will allow the Department to convert those loans to grants as was done through the Small Business Covid-19 Relief Loan Program.

The more we can do to keep businesses afloat during this very difficult time, the less ground Maryland will have to make up as the pandemic subsides and the economy continues to recover. It is far better for the state to forgo some tax revenue now than to ask businesses and entrepreneurs to start over from scratch if their businesses shut down. We believe the provisions in this bill will not only provide relief to our business community in the short term, but will help us lay the groundwork for a smoother and faster recovery period when we can finally put this pandemic behind us.

Commerce respectfully requests a favorable report on Senate Bill 496.