

SENATOR SARAH ELFRETH
Legislative District 30
Anne Arundel County

Budget and Taxation Committee

Subcommittees

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Joint Committee on Administrative,
Executive, and Legislative Review

Joint Committee on the Chesapeake and
Atlantic Coastal Bays Critical Area



James Senate Office Building
11 Bladen Street, Room 103
Annapolis, Maryland 21401
410-841-3578 · 301-858-3578
800-492-7122 Ext. 3578
Fax 410-841-3156 · 301-858-3156
Sarah.Elfreth@senate.state.md.us

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

February 24, 2021

Testimony in Favor of SB778
Regional Institution Strategic Enterprise Zone Program - Alterations

Chairman Guzzone, Vice-Chair Rosapepe, and fellow members of the Budget and Taxation Committee,

I respectfully request a favorable report of Senate Bill 778, legislation that would reinvigorate the Regional Institution Strategic Enterprise (RISE) Zone Program to ensure that innovation and collaboration with our world-class institutions is maximized to the fullest potential.

The (RISE) Zone program was enacted through CH 530, Acts of 2014 with a RISE Zone being a geographic area that has nexus with a qualified institution and is targeted for increased economic and community development. Qualified institutions include institutions of higher education, regional higher education centers, and nonprofits affiliated with a federal agency. The original purpose of the RISE Zone program was to “access institutional assets that have a strong and demonstrated history of commitment to economic development and revitalization in the communities in which they are located.”

While the intent of this program is laudable, we have learned that RISE Zones are rarely utilized and that some of the aspects of the program are not directly benefiting those businesses and innovative start-ups as they should. Attached to this testimony you will find the December 2020 Department of Commerce report on RISE Zones in which they summarize one of these problems perfectly by stating: “Typically, the challenge related to Rise Zone prospects is the focus of tax benefits on property taxes. Many companies in the College Park area, including those with University connections, are much more likely to lease space in existing buildings, rather than buy land, build new and take advantage of real property tax credits.”

In order to combat this challenge of property tax credit non-usage, the legislation will allow the creation of a rental assistance fund to support innovative start-ups that are located in RISE Zones. It will also end the property tax credit in 2023, but allow businesses that previously qualified to continue to qualify.

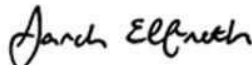
This legislation will also end the income tax credit in 2023; however, it will also make investors in cybersecurity and biotechnology companies located in the RISE Zones eligible for the enhanced tax benefit currently only available in Allegany, Dorchester, Garrett, or Somerset County.

SB 778 makes the following changes to the RISE Zone program:

1. Further clarifying what the RISE zones are intended to do - to incent the location of start-ups based on tech transfer and commercialization of research-institution-produced patents.
2. Eliminating the employment credit effective January 1, 2023.
3. Eliminating the optional local property tax credit effective January 1, 2023, but allowing any properties who already have the property tax credit by the effective date of the reforms to continue to receive it for the term outlined in current law.
4. Replacing that credit with rental assistance incentive housed in Commerce. In order to qualify for this rental assistance, a company must have been in business fewer than 7 years. The funding would be a match with the institution, such that money raised by the institution or by the local jurisdiction would be matched 3:1 by the state, with no individual RISE zone eligible to get more than 25% of the total funding. The funding for the incentive program would be budgeted. If there are not applications using all the funding, then the Department may award more than 25% of the total funding to a specific zone.
5. Making companies in the zones eligible for the enhanced credit under the biotech investment tax credit and cybersecurity investment tax credit (or innovation investment tax credit if SB 160 passes), so long as the company has been in business for fewer than 7 years.
6. Capping the size of zones at the size of the current largest zone (which I believe is 500 acres).
7. Sunsetting the program July 1, 2028

I would like to thank both Senator Rosapepe for his partnership on this bill and the thought leaders you will hear from today - those on the ground working with universities to maximize innovation and start-ups in Maryland. The simple but meaningful changes presented in SB 778 will result in keeping talent and jobs in Maryland. I urge a favorable report.

Sincerely,



Sarah Elfreth