

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE  
Revised

House Bill 320 (Delegates McHale and T. Murphv)  
Economic Matters

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Enterprise Zones - Expansion

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This bill authorizes a political subdivision to apply to the Secretary of the Department of Business and Economic Development (DBED) for the expansion of an existing enterprise zone in the same manner as the political subdivision would apply for designation of a new enterprise zone. The Secretary may grant an extraordinary expansion of an enterprise zone into any area that meets the requirements for designation as an enterprise zone and that has suffered a significant loss of economic base. The bill specifies that the extraordinary expansion of an enterprise zone may not count towards the limitations on the number of enterprise zones that the Secretary may designate in a 12-month period or that a county may receive in a calendar year. Under current law, DBED may not designate more than six new enterprise zones in a 12-month period and no more than one per county per calendar year. The bill specifies that the Secretary may not grant more than one extraordinary expansion throughout the State in any 12-month period.

This bill takes effect June 1, 1998.

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Fiscal Summary

**State Effect:** General and special fund revenues could decline by an indeterminate amount. Revenues could increase indeterminately if economic development is stimulated above that which would occur absent this bill. Expenditures would not be affected because DBED could handle any requests for enterprise zone expansions with existing resources.

**Local Effect:** Local revenues could decrease due to additional income and property tax credits in expanded enterprise zones, and could increase to the extent that economic development is stimulated above that which would occur absent this bill. Expenditures would not be affected.

**Small Business Effect:** Potential meaningful effect on small businesses.

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Fiscal Analysis

**Background:** Eligibility for designation as an enterprise zone includes requirements related to unemployment levels, poverty levels, and population. There are various incentives and initiatives available to new business entities within enterprise zones, including income and property tax credits. There are currently 32 enterprise zones in the State, as shown in **Exhibit 1**.

**State Revenues:** Any revenue loss caused by this bill is indeterminate. It is not possible to determine the number or size of expanded enterprise zones, the number of business entities which would claim credit under this bill, or the number of eligible projects which would be induced by this bill. It is known that over the past five years, the enterprise zone credits have averaged \$45,356 annually against the personal income tax and \$163,953 annually against the corporate income tax. For illustrative purposes only, if the credits increase by 10%, an additional \$4,275 (\$4,500 less 5% for add-back) in personal income taxes would be lost. Corporate taxes would decline by an extra \$14,880 (\$16,000 less 7% for add-back), 75% of which would be general funds and 25% of which would be special funds.

A revenue loss would also occur because of the State's 50% reimbursement of property tax credits to local governments. The State reimbursed local governments \$1,430,198 in fiscal 1997 for 50% of the property tax credits granted. For illustrative purposes, if the credits increase by 10%, State expenditures would increase by \$143,020.

Any benefit to the State in terms of increased tax revenues, both direct and indirect, resulting from the incentive effects of expanded enterprise zones and the tax credits for economic development projects cannot be estimated at this time.

**Local Revenues:** Because the income tax credits must be added back to income, local revenues would increase for those credits, if any, taken against the individual income tax.

Local revenues would decrease by 50% of the property tax credits granted in enterprise zones. The amount of this loss cannot currently be estimated. For illustrative purposes only, in Baltimore City's seven enterprise zones, the city granted property tax credits totaling \$878,995 in fiscal 1997. Since the State reimbursed the city for 50% of the total credits from the prior year, the net impact on city property tax revenues was \$366,246.

**Small Business Effect:** If any enterprise zones are expanded beyond that which would have occurred absent this bill, new and expanded small businesses in those locations could benefit from the tax incentives available. In addition, to the extent that the bill encourages economic development in any expanded enterprise zones, other small businesses in the area could benefit.

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**Exhibit 1**  
**Maryland Enterprise Zones as of January 1998**

<b>Western Maryland</b>	<b>Number of Acres</b>
Central Garrett Industrial Park	65
Northern Garrett Industrial Park	43
Southern Garrett Industrial Park	192
Frostburg/Allegany County Enterprise Zone	119
Cumberland/Allegany County Enterprise Zone	10,000
Rocky Gap State Park/Allegany County Enterprise Zone	400
Town of Hancock Enterprise Zone	1,500
Washington County Interstate 81 Park	1,500
Washington County Airport	700
Hagerstown/Washington County Enterprise Zone	2,000
 <b>Central Maryland</b>	
Silver Spring Enterprise Zone	370
Cabin Branch/Prince George's County Enterprise Zone	2,789
Capitol Heights/Prince George's County Enterprise Zone	70
Calvert County Industrial Park	226
North Point Enterprise Zone	2,854
Edgewood/Harford County Enterprise Zone	2,500
Aberdeen/Havre de Grace Enterprise Zone	6,085
Southwest Baltimore County Enterprise Zone	1,800
West Baltimore Enterprise Zone	1,854
Port Covington Enterprise Zone	598
East Baltimore Enterprise Zone	595
Waterview Industrial Center	77
 <b>Eastern Shore</b>	
Cecil County Enterprise Zone	1,697
Cambridge/Dorchester County Enterprise Zone	700
Hurlock Industrial Park	97
Fruitland/Wicomico County Enterprise Zone	110
Salisbury/Wicomico County Enterprise Zone	2,975
Princess Anne/Somerset County Enterprise Zone	700
Crisfield Enterprise Zone	149
Pocomoke City Enterprise Zone	1,117
Snow Hill/Worcester County Enterprise Zone	325
Berlin/Worcester County Enterprise Zone	430

Source: Department of Business and Economic Development

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**Information Source(s):** Department of Business and Economic Development; Comptroller of the Treasury (Board of Revenue Estimates); Department of Assessments and Taxation; Baltimore City; Baltimore, Charles, Somerset, Montgomery, and Prince George's counties; Department of Legislative Services

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