

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

Revised

Senate Bill 284 (Senator Teitelbaum. *et al.*)

Finance

Business and Economic Development - Enterprise Zones - Designation

Under current law, one of the requirements that an area may satisfy in order to be designated as an enterprise zone is that the population in the area or within a reasonable proximity is a low-income poverty area on the basis of the most recent census. This bill specifies that before considering data other than the most recent census for the purpose of determining an area to be a low-income poverty area, the Secretary of the Department of Business and Economic Development (DBED) must adopt regulations specifying alternative data.

Fiscal Summary

State Effect: Indeterminate effect on general and special fund revenues and expenditures. While the bill would not directly affect DBED's finances, to the extent that the locations designated as enterprise zones are different ones than would have been designated absent the bill, the level of utilization of available tax incentives and the level of economic development stimulated could be affected.

Local Effect: Indeterminate revenue effect. Expenditures would not be affected.

Small Business Effect: Potential meaningful effect on small businesses.

Fiscal Analysis

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

State Effect: Any effect on State revenues is indeterminate. It is not possible to determine whether the areas designated as enterprise zones by the Secretary would be different ones

than would be designated absent this bill. Further, it is not possible to determine whether the areas designated under this bill, if different, would result in more or less utilization of the available tax incentives or in more or less economic development.

For reference, 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. In addition, the State reimbursed local governments \$1,430,198 in fiscal 1997 for 50% of property tax credits.

Similarly, any effect on State expenditures on certain assistance programs cannot be reliably determined at this time.

Local Effect: The bill could result in certain localities being designated as enterprise zones that otherwise would not have been. Revenues for those localities could decrease due to additional income and property tax credits, and revenues could increase to the extent that economic development is stimulated above that which would occur absent this bill. At the same time, any localities that would not be designated as enterprise zones that otherwise would have would experience the opposite effects.

Small Business Effect: The bill could result in certain localities receiving enterprise zone designation that otherwise would not have. New and expanded small businesses in those localities could benefit from the tax incentives available. In addition, to the extent that the bill encourages economic development in those locations, other small businesses in the area could benefit. On the other hand, small businesses in any localities that would not receive enterprise zone designation that otherwise would have would experience the opposite effects.

Exhibit 1
Maryland Enterprise Zones as of April 1998

Western Maryland	Number of Acres
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
 Central Maryland	
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
 Eastern Shore	
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/Worchester County Enterprise Zone	325
Berlin/Worchester County Enterprise Zone	430

Source: Department of Business and Economic Development

Information Source(s): Department of Business and Economic Development, Department of Assessments and Taxation, Comptroller of the Treasury (Board of Revenue Estimates), Department of Legislative Services

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