Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE
Revised

Senate Bill 651 (Senator Baker)
Budget and Taxation

Property Tax Credit - Businesses That Create New Jobs

This bill alters the Businesses that Create New Jobs Tax Credit. Corporations that expand their businesses by at least 5,000 square feet are eligible for this tax credit if they hire at least 10, instead of 25, new full-time positions in the new or expanded premises and are located in a county with a population under 30,000.

The bill is effective July 1, 1999.

Fiscal Summary

State Effect: Indeterminate effect on State revenues. Indeterminate decrease in general fund expenditures.

Local Effect: Indeterminate effect on applicable county and municipal revenues. Expenditures would not be affected.

Small Business Effect: Potential meaningful.

Fiscal Analysis

Background: Under current law, if a business entity expands or constructs at least 5,000 square feet on its premises and employs at least 25 individuals in new permanent full-time positions in the new or expanded premises, and meets other specified requirements, the business entity is granted a local property tax credit equal to 52% of the amount of property tax imposed on the assessed value of the new or expanded premises in the first and second taxable years. In addition, the business also qualifies for a State tax credit equal to 28% of the amount of property tax of the new or expanded premises for the first and second taxable years. The qualified business may claim the State tax credit against the individual or corporate income tax, insurance premiums tax, financial institution franchise tax, or public service company franchise tax. Combined, the expanded business qualifies for a credit of 80% of property taxes that may be claimed against local and State taxes. The credit phases-out over seven years.

State Effect: According to the Maryland Office of Planning, Garrett, Caroline, Kent, Dorchester, and Somerset counties all had populations under 30,000 as of July 1, 1998. This bill expands the Businesses that Create New Jobs Tax Credit to include businesses located in these counties that expand their premises at least 5,000 square feet and employ at least ten new full-time positions in the new or expanded premises.

For those qualified business expansions that would have occurred in the absence of this bill, the credit results in a loss of State revenues. The extent of the decrease will depend on the number of businesses that are granted this tax credit by the applicable jurisdictions, the value of the eligible property for the credit, and the applicable property tax rates.

If the State credit is claimed against the corporate income tax, special fund revenues to the Transportation Trust Fund (TTF) would decrease since about 25% of corporate income tax revenues are distributed to the TTF.

To the extent that new development and employment is generated due to the less stringent requirement for the credit, general fund revenues could increase by an indeterminate amount through increased individual income tax and sales tax collections. In addition, expenditures on certain assistance programs could decrease.

The net effect of this bill on State revenues is indeterminate.

Local Effect: For those qualified business expansions that would have occurred in the absence of this bill, local revenues will decrease. The extent of the decrease will depend on the number of businesses that are granted this tax credit, the value of the eligible property for the credit, and the applicable property tax rates.

If this legislation spurs new economic development and employment in the State, local revenues would increase. In addition, property tax revenues for the affected jurisdictions could increase as a result of additional economic development.

Local revenues would decline for those credits claimed against the corporate income tax, since a portion of the TTF is distributed to local governments.

Small Business Effect: To the extent that small businesses secure tax credits under the bill from Garrett, Caroline, Kent, Dorchester, or Somerset counties, or the municipalities located in those counties, their tax liability would be reduced. Any benefit to small businesses would depend on the credits granted and the reduction in tax liability.

In addition, qualified small businesses would be positively impacted. Existing businesses would also benefit indirectly if the bill increases development and economic activity in the county.

Information Source(s): Department of Assessments and Taxation, Kent County, Maryland Office of Planning

Fiscal Note History: First Reader - March 8, 1999
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Analysis by: Joanna Rooney

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510