

Department of Legislative Services  
Maryland General Assembly  
1999 Session

FISCAL NOTE  
Revised

House Bill 82 (Delegate Leopold. *et al.*)

Ways and Means

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**Job Creation Tax Credit - Priority Funding Area - Port Land Use Development  
Zone**

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This bill expands the definition of “priority funding area” to include the portion of the zoned area that is within the immediate influence of Baltimore Port activity (“Port Land Use Development Zone”) that has been designated as a growth area in the county Comprehensive Master Plan, for purposes of the Job Creation Tax Credit Program. Under the program, qualified businesses located in a priority funding area may claim the job credit for creating 25 new positions instead of 60 new positions.

The bill takes effect July 1, 1999 and applies to all taxable years beginning after December 31, 1998.

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**Fiscal Summary**

**State Effect:** Indeterminate effect on State revenues. No effect on expenditures.

**Local Effect:** Indeterminate increase in local revenues for the affected jurisdictions. No effect on expenditures.

**Small Business Effect:** Minimal.

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**Fiscal Analysis**

**Background:** Chapter 84 of 1996 established the Job Creation Tax Credit Program. Under the program, a qualified business that establishes or expands a facility and creates a specified number of new jobs qualifies for the tax credits. If the new employment is within a priority

funding area, the business must create at least 25 new positions. Outside the priority funding area, the business must create at least 60 new positions.

The Job Creation Tax Credit is the lesser of \$1,000 for each qualified employee employed during the credit year or 2.5% of wages paid to qualified employees, but may not exceed \$1 million for an entity in any credit year. Half of this credit may be claimed in the credit year, and the other half may be claimed in the following year. The credits may be claimed against the corporate or individual income taxes, the financial institution or public service company franchise taxes, or the insurance premium tax.

In tax year 1996, the only year for which information is available, \$50,158 in Job Creation Tax Credits were claimed. All the credits were taken on the corporate income tax returns.

**State Revenues:** To the extent that designating a portion of the Port Land Use Development Zone as a priority funding area thereby relaxing the criteria for qualification under the Job Creation Tax Credit Program spurs new development and employment in the area that otherwise would not have occurred, general fund revenues could increase through increased individual income tax and sales tax collections. This revenue increase, if any, cannot be reliably estimated.

Revenues will decline for those credits claimed by businesses that would have established or expanded in the qualified area in the absence of this bill. The revenue loss, however, is expected to be minimal given the program's experience to date and since the scope of the bill covers only 1 specified area. Of the credits claimed against the corporate income tax, 25% of the revenue loss would be from the Transportation Trust Fund (TTF), since a portion of corporate income tax revenue is distributed to the TTF. The remainder of those credits would result in general fund revenue losses.

**Local Revenues:** Local income tax revenues for the affected counties (possibly, Baltimore City, Baltimore County, and Anne Arundel County) would increase if new economic development and employment is generated as a result of this bill. In addition, property tax revenues for the affected jurisdictions could increase if the bill promotes additional economic development.

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

**Fiscal Note History:** First Reader - February 2, 1999  
lnc/jr Revised - House Third Reader - March 23, 1999

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