

Department of Legislative Services  
Maryland General Assembly  
1999 Session

FISCAL NOTE  
Revised

House Bill 443 (Delegate Walkup, *et al.*)

Ways and Means

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Property Tax Credit - Businesses That Create New Jobs

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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 the local Businesses that Create New Jobs Tax Credit if they hire at least 10, instead of 25, new full-time positions in the new or expanded premises.

The bill is effective July 1, 1999.

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Fiscal Summary

**State Effect:** None.

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

**Small Business Effect:** Potential meaningful.

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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.

**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 local governments, 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.

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**Information Source(s):** Department of Assessments and Taxation, Kent County

**Fiscal Note History:** First Reader - March 8, 1999  
Inc/jr Revised - House Third Reader - March 26, 1999  
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