

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

House Bill 75 (Chairman. Ways and Means Committee)
(Departmental - Department of Business and Economic Dev.)
Ways and Means

Job Creation Tax Credit - Extension

This bill extends the sunset date for the Job Creation Tax Credit Program from January 1, 2002 to January 1, 2007.

This bill takes effect July 1, 1999.

Fiscal Summary

State Effect: Indeterminate effect on State revenues. General fund expenditures could decrease by an indeterminate amount.

Local Effect: Indeterminate effect on local revenues. No effect on expenditures.

Small Business Effect: The Department of Business and Economic Development has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment based on the program's current experience.

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.

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.

State Effect: In tax year 1996, the first year of the Job Creation Program and the only year for which data is available, \$50,158 in tax credits were claimed. All the credits were taken against the corporate income tax returns. Over time, as more businesses become aware of the incentive package, participation in the program may grow and the credits claimed may increase.

If new development and employment is generated due to the program (in part or whole) general fund revenues could increase through increased individual income tax and sales tax collections. This revenue increase, if any, cannot be reliably estimated at this time.

Revenues would decline for those credits claimed by businesses which would have established or expanded in the area in the absence of the bill. The revenue loss is indeterminate; it depends on the number of businesses which would qualify for the credit, the number of qualified positions created, and the aggregate salaries or wages paid to qualified employees.

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.

To the extent that this legislation spurs new employment and economic development in the State, expenditures on certain assistance programs could decrease.

Local Revenues: If the program spurs new economic development and employment in the State, local income tax 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.

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

Fiscal Note History:

First Reader - February 4, 1999

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