

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

House Bill 1139
 Ways and Means

(Delegate Morhaim, *et al.*)

Corporate Income Tax - Tax Credit for Location in a Higher Education-
 Affiliated Research Park

This bill authorizes the Department of Business and Economic Development (DBED) to approve \$4 million annually in tax credits for corporations that locate in a higher-education affiliated research park located in the State. The credit is equal to 100% of the costs, including the first six months of rental or leasing costs, associated with locating at the research park. The maximum value of the credit cannot exceed \$50,000 or the tax liability in the tax year. DBED is required to adopt regulations jointly with the Comptroller’s Office in order to implement the program.

The bill takes effect July 1, 2006 and applies to tax year 2006 and beyond.

Fiscal Summary

State Effect: General fund revenues would decrease by approximately \$3 million annually beginning in FY 2007 due to credits being claimed against the corporate income tax. Transportation Trust Fund (TTF) revenues would decrease by approximately \$960,000 annually beginning in FY 2007 due to credits being claimed against the corporate income tax. Expenditures would not be affected.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
GF Revenue	(\$3,040,000)	(\$3,040,000)	(\$3,040,000)	(\$3,040,000)	(\$3,040,000)
SF Revenue	(960,000)	(960,000)	(960,000)	(960,000)	(960,000)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$4,000,000)	(\$4,000,000)	(\$4,000,000)	(\$4,000,000)	(\$4,000,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Local highway user revenues distributed from the TTF would decrease by approximately \$288,000 annually beginning in FY 2007. Expenditures would not be affected.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill authorizes DBED to approve \$4 million annually in tax credits for corporations that locate in a higher-education affiliated research park located in the State. The credit is equal to 100% of the costs, including the first six months of rental or leasing costs associated with locating at the research park. The maximum value of the credit cannot exceed \$50,000 or the tax liability in the tax year. Any unused amount of the credit may be carried forward three tax years. The credit is transferable, provided the transferor informs DBED within 30 days of the effective date of the transfer.

Businesses seeking the tax credit must apply to DBED 30 days before locating at a research park; applications are approved on a first-come first-served basis until the total cap for the year is reached. Upon receipt from DBED that the business has been approved for the tax credit, the business must locate at the research park within 120 days of the date of the notification letter, and must inform DBED within 60 days of locating at the park. If DBED does not receive this information within the specified deadlines, the tax credit is rescinded.

DBED is required to: (1) approve tax credit applications; (2) report specified information about the tax credit to the Governor and the General Assembly by January 10 of each year; and (3) adopt regulations jointly with the Comptroller to implement the program.

Current Law: No similar tax credit exists.

Background: Johns Hopkins, the University of Maryland, College Park, the University of Maryland, Baltimore, the University of Maryland Baltimore County, and Montgomery College all have research parks at various stages of planning and construction. For example, UMBC has a 41-acre research and technology park that will ultimately comprise five buildings occupied by research and technology firms.

State Revenues: DBED could approve a maximum of \$4 million in credits beginning in tax year 2007. As a result, general fund revenues could decrease by \$3 million annually beginning in fiscal 2007. TTF revenues could decrease by approximately \$960,000 annually beginning in fiscal 2007. Assuming the maximum amount of credits would be awarded, the cap would be achieved if 80 applications are received. To the extent that the maximum amount of credits is not awarded, revenue losses will be less than estimated.

State Expenditures: DBED advises that it could administer the tax credit program with existing budgeted resources.

Additional Information

Prior Introductions: None.

Cross File: SB 739 (Senator McFadden) – Budget and Taxation.

Information Source(s): Department of Business and Economic Development, Comptroller's Office, Department of Legislative Services

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Analysis by: Robert J. Rehrmann

Direct Inquiries to:
(410) 946-5510
(301) 970-5510