

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

House Bill 215
Ways and Means

(Delegates Morhaim and Feldman)

**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 \$4.0 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, 2007 and applies to tax year 2007 and beyond.

Fiscal Summary

State Effect: General fund revenues would decrease by \$3.0 million annually beginning in FY 2008 due to credits being claimed against the corporate income tax. Transportation Trust Fund (TTF) revenues would decrease by \$960,000 annually beginning in FY 2008 due to credits being claimed against the corporate income tax. Expenditures would not be affected.

| (\$ in millions) | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
|------------------|---------|---------|---------|---------|---------|
| GF Revenue | (\$3.0) | (\$3.0) | (\$3.0) | (\$3.0) | (\$3.0) |
| SF Revenue | (1.0) | (1.0) | (1.0) | (1.0) | (1.0) |
| Expenditure | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Effect | (\$4.0) | (\$4.0) | (\$4.0) | (\$4.0) | (\$4.0) |

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 \$288,000 annually beginning in FY 2008. Expenditures would not be affected.

Small Business Effect: Minimal. Most small businesses do not file as corporations for tax purposes.

Analysis

Bill Summary: The bill authorizes DBED to approve \$4.0 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 (UMCP); the University of Maryland, Baltimore (UMB); the University of Maryland, Baltimore County (UMBC); and Montgomery College all have research parks at various stages of planning and construction. UMBC has a 41-acre research and technology park that will ultimately comprise five buildings occupied by research and technology firms. The East Baltimore Life Sciences and Technology Park is part of an 80-acre mixed-use development project adjacent to the Johns Hopkins Medical Center. It will ultimately include up to 2 million square feet of life sciences and research space. The M Square Research Park is a 130-acre research park adjacent to UMCP. Once completed, M Square will be the largest research park in the region with over 2.5 million square feet of public and private research, lab, and incubator space. The Montgomery College Science and Technology Park expects to open within 18 to 24 months with an initial

485,000 square-feet of office space; eventually expanding to 1 million square feet. The UMB BioPark is a new biomedical research park on the campus of UMB. The BioPark will offer flexible wet lab and office space for private corporations and university researchers to collaborate in the commercialization of bioscience innovations. Once completed, the project will include 10 buildings containing 1.2 million square feet of lab and office space.

State Revenues: DBED could approve a maximum of \$4.0 million in credits beginning in tax year 2007. As a result, general fund revenues could decrease by \$3.0 million annually beginning in fiscal 2008. TTF revenues could decrease by approximately \$960,000 annually beginning in fiscal 2008. Assuming the maximum amount of credits would be awarded, the cap would be achieved if 80 applications are received. To the extent that research parks do not have sufficient additional capacity in 2007 and 2008 to attract 80 new tenants annually, revenue losses could be less than estimated in fiscal 2008 and 2009.

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

Additional Information

Prior Introductions: Identical bills were introduced in 2006 as SB 739/HB 1139. SB 739 was not reported from the Senate Budget and Taxation Committee. HB 1139 received an unfavorable report from the House Ways and Means Committee.

Cross File: None.

Information Source(s): Department of Business and Economic Development, Montgomery College, University System of Maryland, Department of Legislative Services

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