

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 832
Ways and Means

(Montgomery County Delegation)

Montgomery County - Income Tax - Biotechnology Investment Credit
MC 921-09

This bill authorizes Montgomery County to grant, by law, a tax credit against the county income tax for investments in qualified biotechnology companies. A law that authorizes the credit must (1) specify the qualifications for eligibility, conditions of certification, and process for application for the tax credit; and (2) specify the amount of the credit. Montgomery County may: (1) limit the investment for which a credit is allowed to only qualified biotechnology companies located in the county; (2) limit the total amount of credits that can be awarded in any year; (3) allow the credit to be refundable; (4) provide for recapture of the credit; and (5) impose any additional limitations necessary to administer the credit.

The bill takes effect July 1, 2009 and applies to tax year 2010 and beyond.

Fiscal Summary

State Effect: General fund expenditures increase by \$37,400 in FY 2010 which reflects one-time tax form changes and computer programming expenditures at the Comptroller's Office. Revenues are not affected.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	37,400	0	0	0	0
Net Effect	(\$37,400)	\$0	\$0	\$0	\$0

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

Local Effect: Montgomery County income tax revenues may decrease by a significant amount beginning in FY 2011 depending on the amount of the tax credit granted and the number of eligible recipients. Expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: There is no county income tax credit available for investments in qualified biotechnology companies.

Chapter 99 of 2005 established the biotechnology investment tax credit program. The Department of Business and Economic Development (DBED) administers the tax credit application, approval, and certification processes. In calendar 2008, DBED received a total of 170 tax credit applications. Maryland residents accounted for 70 applications with the remaining 100 from nonresidents. DBED issued a total of \$6.3 million in initial credit certificates. Investments were made in a total of 18 companies located in Baltimore City and Baltimore, Frederick, Howard, Montgomery, and Prince George's counties. The proposed State budget includes \$6.0 million in funding for the program in fiscal 2010.

Background: Montgomery County imposes a 3.2% local income tax, the maximum rate authorized under current law. The local income tax is the second largest revenue source for the county government, accounting for 23% of county revenues. Montgomery County will collect approximately \$1.3 billion in local income tax revenues in fiscal 2009. **Exhibit 1** provides the anticipated revenue collections from the major local taxes in Montgomery County.

Exhibit 1 Montgomery County Revenues – Local Taxes Fiscal 2009

	<u>Total Revenues</u>	<u>Per Capita Amount</u>
Property Taxes	\$1,364,540,000	\$1,466
Income Taxes	1,273,790,000	1,368
Recordation Taxes	72,286,000	78
Transfer Taxes	64,070,000	69
Hotel/Motel Taxes	19,870,000	21

State Fiscal Effect: The Comptroller's Office reports that it will incur a one-time expenditure increase of \$37,400 in fiscal 2010 to include the local tax credit on the income tax forms. This amount includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

Local Fiscal Effect: Montgomery County income tax revenues may decrease by a significant amount beginning in fiscal 2011 depending on the amount of the tax credit granted and the number of eligible recipients.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 15, 2009
mcp/hlb

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