

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE

House Bill 614 (Delegate Carr, *et al.*)
 Ways and Means

Enterprise Zones - County Tax Credits

This bill authorizes counties to enact a local law allowing businesses located within an enterprise zone to claim a credit against a county tax for improvements to property if the business is not currently eligible for an enterprise zone property tax credit.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: General fund expenditures increase by \$75,300 in FY 2010 due to one-time tax form and computer programming expenses 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	75,300	0	0	0	0
Net Effect	(\$75,300)	\$0	\$0	\$0	\$0

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

Local Effect: Local property and income tax revenues may decrease in counties that exercise this authority. Local expenditures are not affected.

Small Business Effect: Meaningful for certain businesses not eligible for a county property tax credit.

Analysis

Bill Summary: Each county is authorized to pass a local law allowing businesses within an enterprise zone to claim a credit against county taxes. This authorization applies to businesses that do not qualify for an enterprise zone property tax credit under current law. The local law must specify which county tax or taxes the credit applies to; the improvements eligible for the tax credit; the qualifications for eligibility, conditions of certification, and process for application; and provide for calculation of the amount of the tax credit. A local law authorizing a credit may limit the total amount of tax credits that may be authorized in a year, may allow for a refund of the tax credit if the credit otherwise exceeds the total tax payable, and may provide for the recapture of the credit. The governing body of a county authorizing such a credit may impose any limitations necessary to administer the credit.

Current Law: Businesses located within a Maryland enterprise zone are eligible for local property tax credits and State income tax credits for 10 years after the designation of the enterprise zone. Any business moving in after the designation qualify for the tax credits, if the business meets all applicable eligibility standards, is certified as being in compliance by the appropriate local government, and creates new or additional jobs or makes capital investments. Any business that is already located in an area that is designated an enterprise zone can qualify for the credit for the capital investment and labor force expansion occurring after designation of the enterprise zone.

Real property tax credits are 10-year credits against local real property taxes on a portion of the qualifying real property improvements in the enterprise zone. The State Department of Assessments and Taxation (SDAT) reimburses local governments for one-half of the cost of the property tax credit. The income tax credit is based on wages paid to newly hired employees and can be taken over a one- to three-year period. The credits are based on the wages paid during the taxable year to each qualified employee and vary in value and length of time depending on whether the employee is certified from the Department of Labor, Licensing, and Regulation as being economically disadvantaged and if the business is located in a focus area.

Background: Maryland's enterprise zone program is a joint effort between the State and local governments to provide tax incentives to businesses and property owners located in economically distressed areas. The program was created in 1982 and has grown to enterprise zones in 15 jurisdictions. **Exhibit 1** lists the number of businesses located in each county that are located in an enterprise zone and the estimated amount SDAT will reimburse local governments in fiscal 2010 for enterprise zone property tax credits.

Exhibit 1
State Reimbursement of Property Tax Credits
Fiscal 2010 Enterprise Zones

County	Number of Businesses	Reimbursement Amount
Allegany	27	\$324,069
Baltimore City	235	7,150,825
Baltimore	36	474,096
Calvert	16	44,791
Cecil	22	860,784
Dorchester	15	81,514
Garrett	24	90,116
Harford	143	1,622,078
Montgomery	66	1,165,802
Prince George's	35	610,702
St. Mary's	23	49,206
Somerset	2	8,132
Washington	44	529,924
Wicomico	57	117,185
Worcester	7	11,726
Total	752	\$13,140,950

Source: State Department of Assessments and Taxation

State Fiscal Effect: The Comptroller's Office reports that it will incur a one-time expenditure increase of \$75,300 in fiscal 2010 to include the tax credit on personal and business 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: Local property and income tax revenues decrease in counties that allow tax credits for businesses located in enterprise zones that are not currently eligible. In counties that exercise this authority, the fiscal impact will be determined by the local law passed by each county. Each county may determine the eligibility for the credit, and may limit the total amount of credits that may be authorized each year. An authorizing county may also include provisions for recapture of the credit and may also issue a credit that exceeds the total amount payable.

Additional Information

Prior Introductions: None.

Cross File: SB 788 (Senator Madaleno) - Budget and Taxation.

Information Source(s): Allegany, Harford, Montgomery, Talbot, and Wicomico counties; Baltimore City; State Department of Assessments and Taxation; Department of Business and Economic Development; Comptroller's Office; Maryland Association of Counties; Department of Legislative Services

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