

Department of Legislative Services  
 Maryland General Assembly  
 2009 Session

FISCAL AND POLICY NOTE

House Bill 1328 (Delegate Cardin, *et al.*)  
 Rules and Executive Nominations

**Baltimore County - Income Tax - Biotechnology Investment Credit**

This bill authorizes Baltimore 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. Baltimore 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:** Baltimore 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, Baltimore, and Prince George's counties. The proposed State budget includes \$6.0 million in funding for the program in fiscal 2010.

**Background:** Baltimore County imposes a 2.83% local income tax. The local income tax is the third largest revenue source for the county government accounting for 22% of county revenues. Baltimore County will collect approximately \$647.2 million in local income tax revenues in fiscal 2009. **Exhibit 1** provides the anticipated revenue collections from the major local taxes in Baltimore County.

---

#### Exhibit 1 Baltimore County Revenues – Local Taxes Fiscal 2009

	<u>Total Revenues</u>	<u>Per Capita Amount</u>
Property Taxes	\$949,159,000	\$1,203
Income Taxes	647,239,000	820
Recordation Taxes	28,500,000	36
Transfer Taxes	53,200,000	67
Hotel/Motel Taxes	9,262,000	12

---

**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:** Baltimore 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, Maryland Association of Counties; Department of Legislative Services

**Fiscal Note History:** First Reader - March 25, 2009  
mlm/hlb

---

Analysis by: Robert J. Rehrmann

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