

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE
Revised

House Bill 861
Ways and Means

(Montgomery County Delegation)

Budget and Taxation

Montgomery County - Enterprise Zones - Tax Credits
MC 2-10

This bill authorizes Montgomery County, or a municipality in the county, to provide a property tax credit for improvements made by an eligible business entity to qualified enterprise zone property; and for personal property owned by an eligible business entity located on qualified enterprise zone property. The jurisdiction may provide for the amount and duration of the tax credit, qualifications for eligibility, and other provisions for the tax credit. In addition, a business entity that receives an enterprise zone property tax credit or the new property tax credit provided in the bill must provide to a tenant under a lease agreement an amount equivalent to the enterprise zone property tax credit or additional credit that is attributable to any improvements made by the tenant.

The bill takes effect June 1, 2010, and is applicable to taxable years beginning after June 30, 2010.

Fiscal Summary

State Effect: None.

Local Effect: Montgomery County property tax revenues may decrease beginning in FY 2011. The amount of the decrease depends on the number of eligible properties, the value of improvements made to these properties, and the amount of the tax credit authorized. Expenditures are not affected.

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

Analysis

Bill Summary: An eligible business entity is defined as a person who operates or conducts a trade or business on qualified enterprise zone property but does not own the property. Qualified enterprise zone property is defined as real property that (1) is used in a trade or business by an eligible business entity; (2) is not used for residential purposes; and (3) is located in an enterprise zone and eligible for an enterprise zone property tax 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 there are currently 29 enterprise zones in Maryland, of which 3 – Long Branch/Takoma Park, Wheaton, and Olde Towne – are located in Montgomery County. In fiscal 2010, 66 businesses were located within enterprise zones in Montgomery County with SDAT reimbursing local governments \$1.2 million for enterprise zone property tax credits.

Local Fiscal Effect: Montgomery County property tax revenues may decrease beginning in fiscal 2011 to the extent the property tax is authorized. The amount of the revenue decrease depends on the number of eligible properties, the value of improvements made to these properties, and the amount of the tax credit authorized.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Comptroller's Office, Montgomery County, Department of Legislative Services

Fiscal Note History: First Reader - March 9, 2010
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