

Department of Legislative Services
 Maryland General Assembly
 2013 Session

FISCAL AND POLICY NOTE

House Bill 1206 (Delegate Mitchell, *et al.*)
 Ways and Means

Strategic Industry Partnership - Income Tax Credit

This bill creates an income tax credit for 75% of the contributions made by a business or individual to a strategic industry partnership. The Department of Business and Economic Development (DBED) can certify a maximum of (1) \$7.5 million in credits in each fiscal year and (2) \$400,000 in credits for any one strategic industry partnership during a fiscal year. DBED is required to (1) approve tax credit applications and (2) adopt regulations in consultation with the Comptroller and the Department of Labor, Licensing, and Regulation (DLLR) to implement the credit.

The bill is contingent on the passage of Senate Bill 278/House Bill 227. Subject to this contingency, the bill takes effect July 1, 2013, and applies to tax year 2013 and beyond.

Fiscal Summary

State Effect: State revenues decrease by \$7.5 million annually beginning in FY 2014. General fund expenditures increase by \$190,100 in FY 2014 and by \$98,100 in FY 2018.

(\$ in millions)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
GF/SF Rev.	(\$7.5)	(\$7.5)	(\$7.5)	(\$7.5)	(\$7.5)
GF Expenditure	\$0.2	\$0.1	\$0.1	\$0.1	\$0.1
Net Effect	(\$7.7)	(\$7.6)	(\$7.6)	(\$7.6)	(\$7.6)

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

Local Effect: Local highway user revenues distributed from the Transportation Trust Fund will decrease as a result of credits claimed against the corporate income tax. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: No similar State income tax credit exists.

Background: SB 278/HB 227, proposed by the Administration, establishes the Maryland Employment Advancement Right Now (EARN) Program in DLLR. DLLR must establish and administer the program, in consultation with DBED and the Governor's Workforce Investment Board to provide grants on a competitive basis for:

- an approved strategic industry partnership for development of a plan consistent with the purpose of the EARN Program;
- workforce training programs and other qualified programs that provide industry-valued skills training to individuals that results in a credential or identifiable skill consistent with an approved strategic industry partnership plan; and
- job-readiness training and skills training that results in a credential or an identifiable skill.

A strategic industry partnership is a collaboration that brings together a regional group of businesses, educational institutions, and government agencies to (1) identify common workforce needs for high-demand occupations within a target industry and (2) develop and implement industry strategies to meet the common workforce needs and shortages based on regional needs. Strategic industry partnerships may include employers, nonprofits, institutions of higher education, community colleges, local workforce investment boards, local governments, or other relevant partners.

DLLR must also develop and implement a State employment advancement strategy, in consultation with the Department of Budget and Management, and develop a "Train Maryland" website in consultation with DBED and the Department of Information Technology. The program must be funded as provided for in the State budget. The Governor's proposed fiscal 2014 budget includes \$2.5 million for grants provided under the program.

State Revenues: DBED can award a maximum of \$7.5 million in tax credits in each fiscal year. DBED anticipates it will award the maximum amount of credits in each fiscal year. As a result, State revenues will decrease by \$7.5 million annually beginning in fiscal 2014.

State Expenditures: The bill requires DBED to administer the tax credit and DBED indicates it will need one tax credit program administrator. General fund expenditures will increase by an estimated \$86,700 in fiscal 2014, which reflects the bill's July 1, 2013 effective date. This estimate includes a salary, fringe benefits, and ongoing operating expenses.

The Comptroller's Office reports that it will incur a one-time expenditure increase of \$103,400 in fiscal 2014 to add the credit to the personal and corporate income tax forms. This amount includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

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Salary and Fringe Benefits	\$81,555
Operating Expenses	5,190
DBED Expenditures	\$86,745
Comptroller Expenditures	<u>\$103,400</u>
Total FY 2014 Expenditures	\$190,145

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 7, 2013
ncs/jrb

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