

**Department of Legislative Services**  
Maryland General Assembly  
2016 Session

**FISCAL AND POLICY NOTE**  
**Third Reader**

Senate Bill 76

(Chair, Budget and Taxation Committee)(By Request -  
Departmental - Assessments and Taxation)

Budget and Taxation

Ways and Means

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**Enterprise Zones - Reimbursements to Local Governments - Schedule**

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This departmental bill alters the schedule for the State’s reimbursement of its share of the enterprise zone property tax credit to a county or municipality. The bill specifies that a county or municipality must submit its annual request for the State reimbursement of the enterprise zone property tax credit to the State Department of Assessments and Taxation (SDAT) by June 30 of each year. The department is required to certify to the Comptroller the reimbursement due to each local government by July 31 of each year and the Comptroller must make the reimbursement to each local government by August 31 of each year.

The bill takes effect June 1, 2016.

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**Fiscal Summary**

**State Effect:** None. The bill does not alter the total amount of State reimbursements to local governments under provisions of the enterprise zone property tax credit.

**Local Effect:** The bill does not alter the total amount of State reimbursements to local governments under provisions of the enterprise zone property tax credit.

**Small Business Effect:** SDAT has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

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## Analysis

**Current Law:** As provided in the State budget, the State must remit to each county or municipality an amount equal to one-half of the funds that would have been collected if the enterprise zone property tax credit had not been granted.

Quarterly or more frequently, each local government must submit a request to SDAT for its reimbursement amount. Within five working days after SDAT receives the request from a local government, the department must certify to the Comptroller the reimbursement due to each local government. The Comptroller must reimburse each local government within five working days after receiving the certification from SDAT.

**Background:** Businesses located or locating in an enterprise zone may receive a 10-year property tax credit against local real property taxes. The amount of the property tax credit is based on a specified percentage of assessment increases resulting from the value of real property improvements. As shown in **Exhibit 1**, the credit is applied to the tax imposed on 80% of the eligible assessment during the first five years and decreases by 10% annually to 30% in the final year. Within a focus area, a business can receive the 80% credit for the full 10-year period. In addition, businesses in a focus area may be eligible for a 10-year, 80% tax credit against local personal property taxes on new investment. During the course of the property tax credit period, SDAT is responsible for reimbursing local governments (through the department's annual general fund budget) for 50% of the property tax revenue lost as a result of the credit.

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### Exhibit 1 Enterprise Zone Property Tax Credit Percentage of Eligible Property Assessment

<u>Taxable Year</u>	<u>Percentage</u>
1-5	80%
6	70%
7	60%
8	50%
9	40%
10	30%

Source: Department of Legislative Services

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In order to obtain the property tax credit, a business located within a designated enterprise zone must contact the local enterprise zone administrator to determine whether a particular property meets specific requirements within a given enterprise zone. While State law indicates that businesses may qualify for the credit by making capital improvements or hiring new employees, local enterprise zones may establish additional requirements (*e.g.*, qualifying businesses must hire a certain number of new employees or that the jobs created must be in certain industries). Following a determination by the local administrator that a property qualifies for the credit, the administrator certifies this finding in writing to SDAT. SDAT will then calculate the amount of the assessment that is eligible to receive the credit. In addition to computing the amount of the eligible property assessment, SDAT is required to keep track of each property that has been certified by the local enterprise zone administrator and notify each local jurisdiction of its property tax credit obligation. It should be noted that the credit is granted to the owner of the qualifying property. In cases where a lessee makes the capital improvements, the lessee is responsible for executing an agreement with the owner of the property regarding the receipt of the property tax credit.

**State Fiscal Effect:** The bill is intended to update and modernize the reimbursement schedule for the enterprise zone property tax credit. The schedule set forth in the bill will allow local governments to receive their reimbursements before they must close out their prior year books by September 1 of each year, while at the same time providing SDAT and the Comptroller a more manageable timeframe in which to certify requests and make the distributions. The bill does not alter the total amount of State reimbursements to local governments under provisions of the enterprise zone property tax credit.

The proposed fiscal 2017 State budget assumes the State cost for the tax credit program to total \$19.7 million as shown in **Exhibit 2**.

**Exhibit 2**  
**Enterprise Zone Property Tax Credit**  
**State Reimbursement Amount**  
**Fiscal 2017**

<b>County</b>	<b>Participating Businesses</b>	<b>FY 2017 State Reimbursement</b>
Allegany	23	\$180,000
Anne Arundel	0	0
Baltimore City	338	14,377,672
Baltimore	38	638,561
Calvert	9	6,097
Caroline	0	0
Carroll	0	0
Cecil	17	426,822
Charles	0	0
Dorchester	9	14,956
Frederick	0	0
Garrett	12	62,691
Harford	100	1,699,139
Howard	0	0
Kent	0	0
Montgomery	69	421,350
Prince George's	61	1,259,801
Queen Anne's	0	0
St. Mary's	11	44,392
Somerset	5	6,673
Talbot	0	0
Washington	50	359,756
Wicomico	46	188,513
Worcester	0	0
<b>Total</b>	<b>788</b>	<b>\$19,686,423</b>

Source: FY 2017 State Budget

**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Association of Counties, Maryland Municipal League, Comptroller's Office, State Department of Assessments and Taxation, Department of Legislative Services

**Fiscal Note History:** First Reader - February 1, 2016  
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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Proposal Legislation DAT subject: **Enterprise Zone – Reimbursement of Local Government-Schedule for Local Requests for Reimbursement and State Payments**

BILL NUMBER: SB 76

PREPARED BY: Ashley L Ricker

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

Not Applicable.