HB 898

Department of Legislative Services

Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 898 (The Speaker, *et al.*) (By Request - Administration)

Ways and Means and Economic Matters Budget and Taxation and Finance

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Economic Development - Delivering Economic Competitiveness and Advancing Development Efforts (DECADE) Act

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This Administration bill alters, enhances, and transfers various economic development programs and tax credits. **The bill generally takes effect June 1, 2026. Most provisions modifying programs and tax credits take effect July 1, 2026. Provisions affecting specified income tax credits apply to tax year 2026 and beyond. Provisions affecting specified property tax credits apply to taxable years beginning after June 30, 2026.**

Fiscal Summary

State Effect: No effect in FY 2026. In the near term, enhancements to the film production activity tax credit may reduce general fund revenues by more than $22.6 million, special fund revenues by more than $7.4 million, and related special fund expenditures by more than $1.1 million, as shown below in FY 2027, though the precise timing and amount of the effect is uncertain. Quantified general fund revenue reductions from tax credit program extensions total $13.0 million in FY 2028, escalating to $14.6 million in FY 2030. Related quantified special fund revenue and expenditure reductions total $3.0 million and $0.3 million, respectively, in FY 2028 and escalate to $3.4 million and $0.4 million in FY 2030. Net general fund expenditures increase by an estimated $7.0 million annually in FY 2028 through 2030 due to the extension of the Build Our Future Grant Pilot Program.

($ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Revenue	($22.6)	($13.0)	($13.0)	($14.6)	($14.6)
SF Revenue	($7.4)	($3.0)	($3.0)	($3.4)	($3.4)
GF Expenditure	$0	$7.0	$7.0	$7.0	$0
SF Expenditure	($1.1)	($0.3)	($0.3)	($0.4)	($0.4)
Net Effect	($28.9)	($22.7)	($22.7)	($24.6)	($17.6)

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

Local Effect: Local governments are affected, as discussed below.

Small Business Effect: The Administration has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary/Current Law: A discussion of each provision in the bill is provided in **Appendix A**.

Background: The Administration advises that the bill seeks to increase private investment in the State by enhancing, extending, and increasing the flexibility of various existing Department of Commerce-administered programs.

State Fiscal Effect: The impact on State finances and operations is included in the discussion of each provision in Appendix A. There may be other relatively minor or incidental implementation costs for various State agencies not captured in the individual discussions below.

Local Fiscal Effect: Several provisions in the bill affect local government finances. The impact on local jurisdictions is included in the discussion of each provision in Appendix A. Generally, effects are due to receiving different levels of funding through various State economic development programs, changes to local highway user revenue distributions from changes to tax credits claimed against the corporate income tax, and changes to property tax revenues.

Additional Information

Recent Prior Introductions: Similar provisions have been introduced within the last three years. See SB 427 and HB 498 of 2025.

Designated Cross File: SB 388 (The President, *et al.*) (By Request - Administration) - Budget and Taxation and Finance.

Information Source(s): Maryland Economic Development Corporation; Maryland Technology Development Corporation; Department of Social and Economic Mobility; Department of Commerce; Maryland Municipal League; Comptroller's Office; Maryland State Treasurer's Office; University System of Maryland; Morgan State University; Department of Budget and Management; Department of Housing and Community Development; Maryland Department of Labor; Board of Public Works; Public Service Commission; Department of Legislative Services

Fiscal Note History:	First Reader - February 18, 2026
caw/jrb	Third Reader - April 1, 2026
	Revised - Amendment(s) - April 1, 2026
	Revised - Updated Information - April 1, 2026
	Revised - Budget Information - April 1, 2026

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Appendix A – Individual Provisions

Alter Consolidated Reporting Requirements for Economic Development Programs

Provisions in the Bill: Expand consolidated reporting requirements for Department of Commerce-administered economic development programs to include the minimum, maximum, and average salary of jobs created or retained and the number of jobs created or retained that provide career advancement training, provide paid leave, offer certain employer-provided health insurance benefits, and offer retirement benefits. Require Commerce to report to the General Assembly by December 1, 2029, on Commerce-administered programs altered by the bill or its cross file, including an analysis of whether the alterations increased or decreased utilization of each program, increased or decreased the effectiveness of each program, and accomplished Commerce's goals for each program.

Agency: Commerce

State Effect: Commerce can meet the reporting requirements with existing budgeted resources. Revenues are not affected.

Local Effect: None.

Program Description: Commerce must compile and annually report to the Governor and the General Assembly certain data on Commerce-administered economic development programs. The report generally must include, to the extent applicable, the number of jobs created and retained; the estimated amount of State revenue generated; the status of any special fund; the number of minority business enterprises (MBEs) receiving assistance and the percentage of assistance distributed to MBEs; and specified information regarding reduced, revoked, or recaptured tax credits or other financial assistance. The consolidated report must include data in the aggregate and disaggregated by program and recipient. Commerce must also establish, maintain, and annually update a publicly available database on economic development program activity that includes specified information by program recipient.

Location of Provisions in the Bill: Section 3, Economic Development Article, § 2.5-109

Alter, Transfer, and Rename Economic Development Opportunities Program Account

Provisions in the Bill: Rename the Economic Development Opportunities Program Account to be the Strategic Closing Fund, relocate the fund to the Department of Commerce, require the fund's investment earnings to be credited to the general fund, and make various conforming changes. Eliminate required Legislative Policy Committee (LPC) approval before funds are expended and instead require only notice. Reduce, from 60 to 30, the number of days LPC must have to review and comment on Commerce's annual program report. Modify the definition of "extraordinary economic development opportunity" as it applies to the program to (1) include the attraction, retention, or expansion of private-sector enterprises whose capital investment is less than five times the value of the incentive offered and (2) eliminate emphasis on the creation or retention of substantial employment in areas of high unemployment.

Agency: Commerce

State Effect: No net effect on State expenditures. The fiscal 2027 budget as passed by the General Assembly includes $16.0 million in general funds for the Economic Development Opportunities Program Account; thus, general fund expenditures for the State Reserve Fund decrease by $16.0 million in fiscal 2027 and by indeterminate amounts thereafter due to the transfer of this renamed account to Commerce. General fund expenditures for Commerce increase by a corresponding amount. General fund revenues increase beginning in fiscal 2027 due to the redirection of investment earnings from the Revenue Stabilization Account (Rainy Day Fund); Rainy Day Fund revenues decrease by a corresponding amount.

Local Effect: Minimal or none.

Program Description: The Economic Development Opportunities Program Account (better known as the Sunny Day Fund) is an account in the State Reserve Fund that is used to provide conditional loans, grants, and investments to maximize extraordinary economic development opportunities. "Extraordinary economic development opportunity" is in part defined as opportunities that create or retain substantial employment, particularly in areas of high unemployment. It includes the attraction, retention, or expansion of a private-sector enterprise in the State that invests in capital at a level equal to five times the value of the incentive offered and meets other eligibility requirements. Subject to LPC approval, funds may be transferred from the account to the appropriate executive agency to provide authorized grants, loans, and investments.

Location of Provisions in the Bill: Section 1; Section 3, Economic Development Article, §§ 2.5-109, 5-108, and 10-470, and State Finance and Procurement Article, § 7-309

Alter Provisions Relating to Maryland Economic Development Assistance Authority and Fund

Provisions in the Bill: Make various alterations relating to the Maryland Economic Development Assistance Authority and Fund (collectively, MEDAAF). Specifically: (1) double, from $2.5 million to $5.0 million, the maximum amount of financial assistance that may be approved by the Secretary of Commerce for a project (other than a Tier I county project) without approval by the authority; (2) authorize specified assistance to be approved by letters signed by a majority of the members of the governing body of a local jurisdiction and/or the board of directors of the Maryland Economic Development Corporation (MEDCO) (as applicable), as opposed to by formal resolutions; (3) repeal a requirement that local matching funds, if a specified guarantee is not provided, equal at least 10% of the financial assistance to be provided from the fund; (4) increase the maximum amount of assistance that may be provided from the fund for a local economic development opportunity from $5.0 million to $7.5 million for a loan or investment and from $2.0 million to $5.0 million for a grant; (5) increase, from $3.0 million to $5.0 million, the maximum amount of direct financial assistance that may be provided to a local government or MEDCO to finance a project; and (6) repeal certain provisions relating to the interest on and term of a loan from the fund and specify that the Department of Commerce or the authority must determine whether a loan from the fund must bear interest and, if so, the interest rate.

Agency: Commerce; MEDCO

State Effect: The provisions do not alter overall funding for MEDAAF and have minimal or no effect on State finances.

Local Effect: Local governments may benefit from the ability to provide a lower matching fund and/or receive increased direct financial assistance.

Program Description: The purposes of MEDAAF are to (1) expand employment opportunities in the State by providing financial assistance to businesses engaged in eligible business sectors, including financial assistance for aquaculture projects, arts and entertainment enterprises and projects, and creation and expansion of child care facilities; (2) provide financial assistance for the redevelopment of qualified brownfield sites; (3) provide financial assistance to local governments and MEDCO for economic development projects; and (4) provide grants to local economic development funds. Commerce or the authority may provide loans from the fund of up to $10.0 million for significant strategic economic development opportunities and, for local economic development opportunities, loans or investments of up to $5.0 million or grants of up to $2.0 million. The fund may also be used to provide direct financial assistance of up to $3.0 million to a local government or MEDCO to finance a project; such assistance may be in the form of a grant, loan, or investment. Projects generally must be located within a priority funding area, and financial assistance from the fund generally may not exceed 70% of total project costs.

Location of Provisions in the Bill: Section 3, Economic Development Article, §§ 5-319, 5-324, and 5-325

Establish Maryland Small Business Development Financing Fund and Alter Related Programs

Provisions in the Bill: Establish the Maryland Small Business Development Financing Fund in the Department of Commerce as the successor to multiple funds (Small Business Development Contract Financing Fund, Small Business Development Guaranty Fund, Equity Participation Investment Incentive Program Fund, and Small Business Surety Bond Fund), each of which are repealed but are continued as programs of the fund, and make various conforming changes. Alter provisions relating to the renewal and extension of a contract between Commerce and a private Maryland corporation to administer the programs of the Maryland Small Business Development Financing Authority (MSBDFA). Streamline various requirements for financial assistance under the aforementioned programs and make certain substantive changes – specifically, among them:

- increase the maximum amount of a guaranty or loan provided under the Small Business Development Contract Financing Program and a guaranty under the Small Business Development Guaranty Program from $2.0 million to $3.0 million;
- increase the maximum amount of equity participation financing in an enterprise under the Equity Participation Investment Incentive Program from $2.0 million to $3.0 million;
- increase the maximum amount of a guaranty provided under the Small Business Surety Bond Program from $2.25 million to $3.0 million and double the maximum amount of bid, performance, and payment bonds that MSBDFA may directly issue under the program from $2.5 million to $5.0 million;
- repeal certain requirements for financial and bonding assistance that generally limit eligibility to government and utility contracts; and
- increase criminal penalties for knowingly making false statements or reports to MSBDFA with respect to the Small Business Surety Bond Program to conform to those under the Small Business Development Contract Financing and Small Business Development Guaranty programs.

Agency: Commerce

State Effect: The provisions do not alter overall funding for MSBDFA and otherwise have minimal or no effect on State finances.

Local Effect: The provisions do not materially affect local government finances or operations.

Program Description: MSBDFA provides financing options for small businesses that are owned by economically and socially disadvantaged entrepreneurs and small businesses that are unable to meet the established credit criteria of financial institutions. Subject to specified conditions, Commerce may (and does) contract for and engage the services of some or all of the MSBDFA staff, organized as a private Maryland corporation, to administer the authority's programs. MSBDFA has four special funds in statute, listed above, that in practice already operate as programs.

Location of Provisions in the Bill: Section 3 Economic Development Article, §§ 5-501, 5-502, 5-511, 5-515, and 5-517 through 5-559

Extend Job Creation Tax Credit

Provision in the Bill: Extends the Job Creation Tax Credit Program by five years, to January 1, 2032.

Agency: Department of Commerce; Comptroller

State Effect: No effect in fiscal 2027. In fiscal 2028, general fund revenues may decrease by an estimated $3.2 million, Higher Education Investment Fund and Transportation Trust Fund (TTF) revenues may decrease by an estimated $0.2 million and $0.6 million, respectively, and TTF expenditures for local highway user revenue grants may decrease by an estimated $0.1 million. General fund revenues and special fund revenues and expenditures may decrease by similar amounts annually through fiscal 2032. To the extent credits are claimed against the corporate income tax by a corporation that operates a qualified data center, Strategic Energy Investment Fund revenues are also affected. This estimate assumes that 90% of credits are claimed against the corporate income tax and the remaining 10% are claimed against the personal income tax or insurance premium tax. Actual revenues and expenditures under the provision may differ from this estimate due to the amount and timing of tax credit claims and carryforwards.

Local Effect: Local highway user revenues may decrease by an estimated $0.1 million in fiscal 2028 and by similar amounts annually through fiscal 2032 under the assumptions discussed above. Actual local highway user revenues under the provision may differ from this estimate due to the amount and timing of corporate income tax credit claims and carryforwards.

Program Description: The Job Creation Tax Credit Program offers nonrefundable tax credits against the income tax or the insurance premium tax to a business that establishes or expands a facility in the State that (1) is primarily engaged in an eligible industry and (2) within a 24-month period, creates:

- at least 60 qualifying positions (as defined);
- at least 25 qualifying positions in a State priority funding area; or
- at least 10 qualifying positions in a county with an annual average employment that is less than 75,000 or a median household income that is less than two-thirds of the statewide median household income.

The value of the credit is generally equal to $3,000 per qualified employee employed during the credit year (for a facility located in a revitalization area, $5,000 per qualified employee employed during the credit year), subject to a maximum of $1.0 million per qualified business entity per credit year. The credit may be carried forward up to five tax years and may not be carried back to a preceding tax year.

Chapter 191 of 2021 established an enhanced job creation tax credit for the hiring of qualified veteran employees and extended program eligibility to small businesses that hire at least one qualified veteran employee for a full-time position in the State.

Commerce may certify up to $4.0 million in job creation tax credits annually. The program is scheduled to terminate January 1, 2027, after which a business entity may be considered for eligibility for the tax credit based on positions filled before this termination date, and tax credits earned may be carried forward.

Location of Provision in the Bill: Section 3, Economic Development Article, § 6-309

Alter and Transfer Commerce Programs to the Maryland Economic Development Corporation

Provisions in the Bill: Transfer the Regional Institution Strategic Enterprise (RISE) Zone Program and Build Our Future Grant (BOFG) Pilot Program from the Department of Commerce to the Maryland Economic Development Corporation (MEDCO) and make various conforming changes. Extend the termination date of the BOFG Pilot Program from June 30, 2027, to June 30, 2030; remove "pilot" from the name of the program; and require MEDCO to prioritize applicants located in a RISE zone. Make various alterations to the RISE Zone Program – specifically (1) authorize MEDCO to approve one extraordinary RISE zone in a single county or municipality for an area that promotes quantum computing; (2) repeal a prohibition on designating a RISE zone in a specified development district or special taxing district; (3) increase the maximum duration for rental assistance from 3 to 5 years; (4) alter certain eligibility requirements for rental assistance – specifically, repeal the requirement that a business entity have nexus with a qualified institution located in a RISE zone and specify that a business entity need only have been in active business for 7 years or less *at the time of application*; (5) allow a qualified institution, a county, a municipality, or an economic development entity that establishes a rental assistance program to receive funding without providing matching funds; (6) require MEDCO to include in its annual report specified information on program activity; and (7) authorize a business entity to continue to receive a benefit authorized under the program after the program's January 1, 2030 termination date until the date the RISE zone in which the business entity is located would otherwise have expired.

Agency: Commerce; MEDCO

State Effect: The fiscal 2027 budget as passed by the General Assembly includes $7.0 million in general funds for the BOFG Pilot Program and no funds for the RISE Zone Program. Thus, general fund expenditures for Commerce decrease by $7.0 million in fiscal 2027 due to the transfer of the BOFG Program to MEDCO and by indeterminate amounts thereafter due to the transfer of the RISE Zone Program. General fund expenditures for MEDCO increase by a corresponding amount. General fund expenditures for MEDCO increase by an additional $7.0 million annually in fiscal 2028 through 2030 due to the extension of the BOFG Program, assuming that the program continues to be funded at the fiscal 2027 funding level.

Local Effect: Local property tax revenues may decrease in fiscal 2030 and future years due to the bill's allowance of certain RISE zone benefits after January 1, 2030. Local governments benefit from the extension of the BOFG Program through fiscal 2030 and may also be affected by the prioritization of applicants located in a RISE zone. Other changes are not anticipated to materially affect local government finances or operations.

Program Description:

Regional Institution Strategic Enterprise Zone Program

The purposes of the RISE Zone Program are to (1) access institutional assets that have a strong and demonstrated history of commitment to economic development and revitalization in the communities in which they are located and (2) incentivize the location of innovative start-up businesses based on technology developed, licensed, or poised for commercialization at or in collaboration with qualified Maryland institutions. Qualified institutions include institutions of higher education (public and private four-year institutions and community colleges), nonprofit organizations affiliated with federal agencies, and regional higher education centers. Businesses that are located within a zone and meet program requirements qualify for program benefits and priority consideration for specified State financial assistance programs.

The Secretary of Commerce designates RISE zones, subject to specified requirements, for a period of five years with an optional five-year renewal. Zones may not exceed 500 acres. Except for Baltimore City, which can have four RISE zones, no more than three RISE zones may be designated in a single county or municipality.

Chapters 206 and 207 of 2021 made significant modifications to the RISE Zone Program, most notably to the incentives offered. More specifically, a rental assistance grant program and enhanced investment incentive tax credits were established, while property tax credits were limited to businesses that located in a RISE zone before January 1, 2023, and income tax credits were ended after tax year 2022.

Build Our Future Grant Pilot Program

Chapters 430 and 431 of 2023 established the BOFG Pilot Program and Fund in Commerce to provide grant funding for infrastructure projects intended to support innovation in eligible technology sectors. Under the program, grants of up to $2.0 million may be awarded to private companies, nonprofits, local governments, or colleges and universities in the State and may be used to defray specified costs associated with an eligible innovation infrastructure project. A grant recipient must provide matching funds of either 200% or 400%, depending on the size of the grant. Additional requirements are placed on grants to be used by colleges and universities. A single entity is limited to $2.0 million in grants in a fiscal year. The program terminates June 30, 2027.

Maryland Economic Development Corporation

MEDCO is a nonbudgeted entity created in 1984 by the General Assembly to assist business and governmental entities through ownership, financing, and development of real and personal property projects. MEDCO purchases or develops property that is leased to others and makes loans to companies throughout the State to maintain or develop facilities. MEDCO has broad powers to finance projects and most often is a conduit issuer of tax-exempt revenue bonds to an eligible tax-exempt borrower. MEDCO has also issued its bonds to finance its own projects, which it owns and operates. MEDCO-owned projects consist mostly of student housing projects. Generally, MEDCO debt is not debt of the State, and there is no implied State guaranty or State obligation to protect bondholders from losses.

Location of Provisions in the Bill: Section 2; Section 3, Economic Development Article, §§ 5-102, 10-137, 10-139 through 10-156, and 12-201; Section 4, Tax – General Article, §§ 10-702 and 10-725; Section 5, Tax – Property Article, § 9-103.1; Section 6

Waive Annual Filing Fee for Targeted Industry Businesses in Regional Institution Strategic Enterprise Zones

Provision in the Bill: Beginning in fiscal 2027, requires the State Department of Assessments and Taxation (SDAT) to waive the filing fee for a business entity for each year that the entity provides evidence to the department that it (1) has located within a Regional Institution Strategic Enterprise (RISE) zone within three years of the date by which the filing fee is due and (2) is in an eligible technology sector (as specified).

Agency: SDAT

State Effect: General fund revenues decrease by an unknown but likely modest amount beginning in fiscal 2027 from reduced filing fees. The amount depends on the number of eligible businesses located in RISE zones and the proportion of those businesses that provide evidence to SDAT of their eligibility**.**

Local Effect: None.

Program Description: Business entities in the State are required to file an annual report along with a reporting fee with SDAT by April 15, regardless of whether the business owns property, generates income, or has conducted business activity in the State during the preceding year. Failure to file the annual report may result in the business entity losing the right to conduct business in Maryland. The fee is generally $300.

Location of Provision in the Bill: Section 3, Corporations and Associations Article, § 1-203

Reallocate Video Lottery Terminal Distributions between Maryland Small, Minority, and Women-Owned Businesses Account and Maryland Small Business Development Financing Fund

Provision in the Bill: Reallocates 0.75% of video lottery terminal (VLT) revenues from the Maryland Small, Minority, and Women-Owned Businesses Account (SMWOBA) to the Maryland Small Business Development Financing Fund established under the bill.

Agency: Department of Commerce

State Effect: Overall special fund revenues and expenditures for Commerce are unaffected, as funding is reallocated between two Commerce programs.

Local Effect: Local economic development corporations may receive less funding from eligible fund managers under SMWOBA beginning in fiscal 2027.

Program Description: SMWOBA is used to provide loans and grants to small, minority, and women-owned businesses in the State. A small percentage of gross VLT proceeds is distributed to SMWOBA each fiscal year. Commerce then provides grants from SMWOBA to eligible fund managers – in practice, mostly a mixture of county development corporations and private firms. The fund managers then provide loans and grants to small, minority, and women-owned businesses in the State. Generally, grants are limited to $10,000 per recipient and, except in the case of certain disasters or emergencies, must be issued in conjunction with a loan.

The Maryland Small Business Development Financing Authority (MSBDFA) provides financing options for small businesses that are owned by economically and socially disadvantaged entrepreneurs and small businesses that are unable to meet the established credit criteria of financial institutions. As discussed above, MSBDFA has four special funds which in practice operate as programs and which the bill consolidates under a newly established Maryland Small Business Development Financing Fund.

Location of Provision in the Bill: Section 3, State Government Article, § 9-1A-27

Extend Research and Development Tax Credit and Require Reports

Provisions in the Bill: Extend the Research and Development (R&D) Tax Credit Program for tax years 2026 through 2030. Require the Comptroller to report to the General Assembly by December 1, 2026, on its current ability to track credit carryforwards and potential methods to improve tracking. Require the Department of Commerce to report to the General Assembly by December 1, 2026, on whether the refundable credit for small businesses is underutilized and, if so, potential reasons for and methods to address that underutilization.

Agency: Commerce; Comptroller

State Effect: No effect in fiscal 2027. In fiscal 2028, general fund revenues decrease by an estimated $9.8 million, Higher Education Investment Fund and Transportation Trust Fund (TTF) revenues decrease by an estimated $0.6 million and $1.6 million, respectively, and TTF expenditures for local highway user revenue grants decrease by an estimated $0.3 million. General fund revenues and special fund revenues and expenditures decrease by similar amounts annually through fiscal 2032. This estimate assumes that 80% of credits are claimed against the corporate income tax and the remaining 20% are claimed against the personal income tax. Actual revenues and expenditures under the provisions may differ from this estimate due to the timing of tax credit claims and carryforwards.

Local Effect: No effect in fiscal 2027. Local highway user revenues decrease by an estimated $0.3 million in fiscal 2028 and by similar amounts annually through fiscal 2032. Actual local highway user revenues under the provisions may differ from this estimate due to the timing of tax credit claims and carryforwards.

Program Description: The Maryland R&D tax credit is equal to 10% of the amount of Maryland qualified R&D expenses paid or incurred during the tax year that exceed the Maryland base amount (as defined), subject to an annual $250,000 per-taxpayer cap and certain annual aggregate limits. The tax credit is generally nonrefundable and may be carried forward for up to seven years after the tax year in which the expense was incurred. The tax credit is fully refundable for a small business, which is defined as a for-profit corporation, limited liability company, partnership, or sole proprietorship with net book value assets totaling less than $5.0 million at the beginning or end of the taxable year for which Maryland qualified R&D expenses are incurred.

Commerce administers the tax credit application, approval, and certification process and may approve up to $12.0 million in tax credits annually, of which $3.5 million is set aside for small businesses. If the total amount of credits applied for by small businesses exceeds $3.5 million, the amount approved for each small business applicant is reduced by a proportional amount of the excess. Similarly, if the total amount of credits applied for by non-small businesses exceeds $8.5 million (plus any unused amount of the small business set-aside), the amount approved for each non-small business applicant is reduced by a proportional amount of the excess. The tax credit program terminates June 30, 2027.

The Department of Legislative Services (DLS) most recently evaluated the R&D tax credit program during the 2024 interim. In its December 2024 report, DLS recommended that the General Assembly consider terminating the R&D tax credit and instead explore other options to increase R&D activity in the State. DLS also recommended that the General Assembly, should it choose to continue the program, further define the goals and intent of the program in statute and require the Comptroller's Office to track and specify the treatment of credit carryforwards. DLS also recommended that Commerce and the Comptroller's Office identify and comment on why refundable small business credits are potentially being underutilized.

Location of Provisions in the Bill: Section 4, Tax – General Article, § 10-721; Section 6; Section 8

Alter Biotechnology Investment Incentive Tax Credit

Provisions in the Bill: Make various alterations to the Biotechnology Investment Incentive Tax Credit (BIITC) Program – specifically: (1) clarify certain eligibility requirements for qualified investors that are companies; (2) increase the maximum value of the enhanced credit for an investment in a qualified Maryland biotechnology company located in a Regional Institution Strategic Enterprise (RISE) zone or in specified counties (Allegany, Dorchester, Garrett, or Somerset) from $500,000 to $750,000 and repeal certain related eligibility criteria; and (3) for tax year 2027 and beyond, allow pass-through entities that elect to be taxed at the entity level for Maryland income tax purposes to claim and allocate the credits among their members in any manner.

Agency: Department of Commerce; Comptroller

State Effect: As discussed below, BIITC awards are subject to annual appropriations to the BIITC Reserve Fund. The fiscal 2027 budget as passed by the General Assembly includes a $10.0 million appropriation to the reserve fund, including $2.7 million in general funds and $7.3 million in special funds (reflecting the anticipated unused fund balance to be carried over from fiscal 2026). To the extent the provisions increase utilization of the BIITC Reserve Fund, general fund expenditures may increase in fiscal 2028 in order to maintain (or increase) the existing funding level for the BIITC program. Any such effect cannot be reliably predicted.

Local Effect: None.

Program Description: The BIITC program offers a refundable State income tax credit to qualified investors that invest at least $25,000 in a qualified Maryland biotechnology company. The tax credit is generally equal to 33% of the qualified investment, up to $250,000. Investments in qualified Maryland biotechnology companies located in Allegany, Dorchester, Garrett, or Somerset counties or in a RISE zone (subject to certain requirements) are eligible for an enhanced credit equal to 50% of the qualified investment, up to $500,000. Qualified opportunity funds that invest in qualified companies located in an opportunity zone are also eligible for certain enhanced credits for tax years 2019 through 2026.

Commerce administers the tax credit application, approval, and certification process. Tax credit awards are subject to annual appropriations to the BIITC Reserve Fund; Commerce may not certify eligibility for tax credits for investments in a single qualified company that exceed 10% of the total appropriations to the BIITC Reserve Fund for the fiscal year. The Comptroller must transfer the amount of certified credits from the reserve fund to the general fund on a quarterly basis. The BIITC program statute specifies that the Governor must include an annual appropriation to the reserve fund but does not specify a required funding level. Commerce may not issue any tax credit certificates under the BIITC program after fiscal 2028.

Location of Provisions in the Bill: Section 4, Tax – General Article, § 10-725

Alter Film Production Activity Tax Credit and Require Report

Provisions in the Bill: Specify that the purpose of the tax credit is to incentivize and promote film production activity in the State to stimulate the local economy by creating jobs, fostering investment in industry infrastructure, and boosting tourism. For fiscal 2027 through 2030 only, increase the limit on the total amount of tax credits the Department of Commerce may award for a single film production activity from $10.0 million to $30.0 million. Authorize a qualified film production entity to amend its initial application if an independent auditor selected and paid for by the qualified film production entity has verified that the projected total budget has increased or decreased by at least 50%. Require the Secretary of Commerce to (1) evaluate an amended application; (2) determine if the film production entity continues to qualify for the credit; and (3) subject to funding availability, if the Secretary approves the amended application, provide specified notice to the Comptroller. Require Commerce to evaluate and submit a report to the General Assembly by December 1, 2026, on the tax credit as modified by the bill. Specify that the report must also include recommendations on how the tax credit could be improved or streamlined, including potential reforms to the list of eligible production activities, eligibility requirements for small and independent film entities, minimum in-State spending requirements for larger film production entities, and qualifying costs (including whether such costs would be better defined by administrative regulation).

Agency: Commerce; Comptroller

State Effect: State revenues may decrease by more than $30.0 million in the near term due to the bill's temporary tripling of the per-production tax credit cap, which is expected to increase utilization of the tax credit program by larger productions. Specifically, general fund revenues may decrease by more than $22.6 million, Higher Education Investment Fund revenues may decrease by more than $1.8 million, and Transportation Trust Fund (TTF) revenues and expenditures may decrease by more than $5.6 million and $1.1 million, respectively. However, the precise timing and amount of the effect is uncertain. For context, about $45.0 million in accumulated, unissued credit is expected to be rolled over and available for certification in fiscal 2027, in addition to the $10.8 million otherwise available for non-small productions in fiscal 2027. General and special fund revenues and related TTF expenditures are also affected to the extent Commerce approves amended tax credit applications under the bill.

Local Effect: Local highway user revenues may decrease by more than $1.1 million in the near term due to an increase in credits claimed against the corporate income tax under the temporarily enhanced per-production cap. Local highway user revenues are also affected to the extent Commerce approves amended tax credit applications for corporate tax filers.

Program Description: A qualified film production entity may apply for and claim a refundable credit against the State income tax for film production activities in the State in an amount equal to 28% of qualified total direct costs (30% for a television series) as stated on a final tax credit certificate approved by the Secretary of Commerce. Commerce may not approve credits totaling more than $10.0 million in aggregate for a single film production activity.

Chapter 434 of 2023 temporarily increased the maximum amount of credits Commerce may award annually from $12.0 million to $15.0 million for fiscal 2024, $17.5 million for fiscal 2025, and $20.0 million for fiscal 2026. The Budget Reconciliation and Financing Act of 2025 (Chapter 604) reduced, from $20.0 million to $12.0 million, the aggregate amount of film production activity tax credit certificates that may be awarded in fiscal 2026, thereby accelerating by one year the phaseout of temporary enhancements to annual program funding. Any unused amount may be issued in a subsequent year. Commerce must reserve 10% of the total authorized amount each year for Maryland small or independent film entities.

The Department of Legislative Services (DLS) most recently evaluated the film production activity tax credit during the 2025 interim. In its December 2025 report, DLS recommended that the General Assembly consider terminating the film production activity tax credit and instead focus economic development efforts on incentives that generate lasting economic development. DLS also recommended that the General Assembly, should it choose to continue the program, define the objectives of the program in statute, reevaluate the $10.0 million per-project cap for non-small productions, and consider limiting the amount of unused funding that may be carried forward. DLS additionally recommended that Commerce develop a proposal to update, streamline, and improve the program statute and narrow eligible productions and costs to those that have the potential to generate the most economic impact.

Location of Provisions in the Bill: Section 4, Tax – General Article, § 10-730; Section 9

Extend Employer Security Clearance Costs Tax Credit

Provision in the Bill: Extends the employer security clearance costs tax credit by five years, through tax year 2032.

Agency: Department of Commerce; Comptroller

State Effect: No effect in fiscal 2027 through 2029. In fiscal 2030, general fund revenues decrease by an estimated $1.6 million, Higher Education Investment Fund and Transportation Trust Fund (TTF) revenues decrease by an estimated $0.1 million and $0.3 million, respectively, and TTF expenditures for local highway user revenue grants decrease by less than $0.1 million. General fund revenues and special fund revenues and expenditures decrease by similar amounts annually through fiscal 2034. This estimate assumes that 80% of credits are claimed against the corporate income tax, and the remaining 20% are claimed against the personal income tax. Actual revenues and expenditures may differ from this estimate depending on the timing of tax credit claims and carryforwards.

Local Effect: No effect in fiscal 2027 through 2029. Local highway user revenues decrease by less than $0.1 million annually in fiscal 2030 through 2034. Actual local highway user revenues under the provisions may differ from this estimate depending on the timing of tax credit claims and carryforwards.

Program Description: Chapter 438 of 2023 reauthorized the employer security clearance costs tax credit for tax years 2023 through 2027. An individual or corporation that employs up to 500 employees may claim nonrefundable credits against the State income tax for (1) up to $200,000 of security clearance administrative expenses; (2) small businesses that perform security-based contracting, up to $200,000 of first-year rental payments for spaces leased in the State; and (3) up to $200,000 of construction and equipment costs incurred to construct or renovate a single sensitive compartmented information facility (SCIF) (up to $500,000 in total for eligible costs to construct or renovate multiple SCIFs). Any excess credit may be carried forward until fully used.

Commerce administers the tax credit application, approval, and certification process and may approve up to $2.0 million in credits annually. If the total amount of credits applied for exceeds this annual cap, the amount approved for each applicant is reduced by a proportional amount of the excess.

Location of Provision in the Bill: Section 4, Tax – General Article, § 10-732

Alter Property Tax Credit for Regional Institution Strategic Enterprise Zone Property

Provisions in the Bill: Specify that certain business entities may concurrently claim the Regional Institution Strategic Enterprise (RISE) zone and enterprise zone property tax credits, provided that the total property tax credits in any taxable year may not exceed 100% of the property tax that would otherwise be due. Allow, subject to the approval of the local governing body and the Department of Commerce, the RISE zone property tax credit for the taxable year in which the real property initially becomes a qualified property (a similar authorization is available under the enterprise zone property tax credit under current law). Require, for qualified property located in a designated enterprise zone, focus area, or renewed RISE zone, the RISE zone property tax credit to be calculated based on the amount of property tax imposed on the eligible assessment *after* application of any enterprise zone property tax credits. Apply the provisions to taxable years beginning after June 30, 2026.

Agency: State Department of Assessments and Taxation; Commerce; Maryland Economic Development Corporation

State Effect: State finances are not directly affected.

Local Effect: The provisions' overall net effect on local property tax revenues cannot be reliably estimated at this time. However, the potential local revenue effects of each provision are discussed below. Local expenditures are not affected.

Concurrent Utilization of RISE and Enterprise Zone Property Tax Credits: It is assumed, for purposes of this analysis, that the provision expressly authorizing concurrent utilization of the RISE zone and enterprise zone property tax credits simply clarifies legislative intent and does not directly affect local property tax revenues. The Department of Legislative Services (DLS) has historically assumed that a business entity may claim both the RISE zone and enterprise zone property tax credits if the eligible real property is located in both a RISE zone and an enterprise zone. However, as noted in DLS's 2019 *Evaluation of the Regional Institution Strategic Enterprise Zone Tax Credit*, the RISE zone property tax credit's interaction with the enterprise zone property tax credit is unclear.

The provisions further specify that the RISE zone property tax credit is to be calculated based on the amount of the property tax imposed *after* the application of any enterprise zone property tax credits. Under current law, the credit is calculated based on the amount of property tax imposed on the eligible assessment *without reduction* for any other statewide mandatory property tax credits. Thus, it is assumed that the provisions limit the value of the RISE zone property tax credit for qualified properties with respect to which the enterprise zone property tax credit is concurrently claimed – and consequently mitigate local property tax revenue losses associated with the RISE zone property tax credit program in such instances.

Accelerated Application of RISE Zone Property Tax Credit: Local property tax revenues are affected – potentially significantly in a given year – by the allowance of the RISE zone property tax credit in the taxable year in which the real property initially becomes a qualified property, to the extent the authorization accelerates credits claimed against the local property tax.

Program Description: Qualified properties located in designated RISE zones and enterprise zones are eligible for certain local property tax benefits as detailed below.

RISE Zone Property Tax Credit: "Qualified property," as it applies to the RISE zone property tax credit, is defined as real property that is located in a RISE zone, is not used for residential purposes, and is used in a trade or business by a business entity that locates in the RISE zone before January 1, 2023.

A local governing body must grant the credit against the property tax imposed on the eligible assessment (as defined) of the qualified property. The credit is calculated based on the amount of property tax imposed on the eligible assessment without reduction for any other statewide mandatory property tax credits. In general, the credit is equal to at least 50% of the property tax imposed on the eligible assessment for the first taxable year following the calendar year in which the property initially becomes a qualified property and at least 10% of the property tax imposed on the eligible assessment in each of the following four taxable years. If a RISE zone is renewed, the credit is equal to at least 10% of the amount of property tax imposed on the eligible assessment for the sixth through tenth taxable years.

Certain enhanced credits are available for qualified property located in an enterprise zone or focus area. For qualified property located in an enterprise zone, the credit is equal to 80% of the amount of property tax imposed on the eligible assessment for each of the five taxable years following the calendar year in which the property initially becomes a qualified property. For qualified property located in a focus area, the credit is equal to 100% of the amount of property tax imposed on the eligible assessment for each of the five taxable years following the calendar year in which the property initially becomes a qualified property.

Enterprise Zone Property Tax Credit: "Qualified property," as it applies to the enterprise zone property tax credit, is defined as real property that is not used for residential purposes; is used in a trade or business by a business entity that meets specified program requirements; and is located in an enterprise zone. The State must reimburse local governments for 50% of the property tax credit as provided in the State budget.

A local governing body must grant the credit against the property tax imposed on the eligible assessment (as defined) of the qualified property. In general, the credit is equal to the following percentage of the amount of property tax imposed on the eligible assessment: 80% in each of the first five taxable years following the calendar year in which the property initially becomes a qualified property; 70% in the sixth taxable year; 60% in the seventh taxable year; 50% in the eighth taxable year; 40% in the ninth taxable year; and 30% in the tenth taxable year.

Chapters 449 and 450 of 2022 authorized enhanced enterprise zone property tax credits for newly constructed qualified property that provides both office and retail space and became eligible for the property tax credit on or after January 1, 2019, but before January 1, 2022. The enhanced credit is equal to the following percentage of the amount of property tax imposed on the eligible assessment: 80% in each of the first eight taxable years following the calendar year in which the property initially becomes a qualified property; 70% in the ninth taxable year; 60% in the tenth taxable year; 50% in the eleventh taxable year; 40% in the twelfth taxable year; and 30% in the thirteenth taxable year.

Location of Provisions in the Bill: Section 5, Tax – Property Article, § 9-103.1; Section 11

Modify Reporting Requirements for Businesses that Create New Jobs Program

Provisions in the Bill: Require local governments that grant tax credits under the businesses that create new jobs program to annually report additional specified information each year – but only to the State Department of Assessments and Taxation (SDAT) as the requirement to also report to the Department of Commerce and the Comptroller is repealed. Specify that the report must include the investment and number of jobs associated with each credit and other information about business entities that receive credits. Require SDAT to aggregate these reports and submit an annual combined report to the General Assembly, along with any findings or recommendations.

Agency: SDAT; Commerce; Comptroller

State Effect: SDAT can meet the bill's reporting requirements with existing budgeted resources. Revenues are not affected.

Local Effect: Local governments can meet the bill's reporting requirement with existing budgeted resources. Local revenues are not affected.

Program Description: Businesses that establish or expand a business facility and create and/or retain a specified number of jobs may qualify for both (1) a local property tax credit and (2) a nonrefundable State tax credit that may be claimed against the income tax or insurance premium tax. Any unused amount of the State credit may be carried forward up to five years. Certain enhanced credits are available based on the scale of the expansion and jobs created or retained. Credits are claimed over a period of 6 years (24 years in the case of enhanced credits) and are based on a specified percentage of the property tax imposed on the assessment of the new or expanded premises and the personal property tax imposed on specified personal property. A county or municipality must enact legislation establishing the tax credit before credits may be granted. SDAT must annually certify the value of the State tax credit. There is no aggregate limitation on the amount of credits that may be awarded annually.

The Department of Legislative Services (DLS) most recently evaluated the businesses that create new jobs tax credit during the 2025 interim. In its December 2025 report, DLS recommended that the General Assembly consider terminating the tax credit program. DLS also provided several alternative recommendations should the General Assembly choose to continue the program – among others, that the General Assembly consider eliminating the State tax credit and creating certain program activity reporting requirements for local governments and SDAT.

Location of Provisions in the Bill: Section 5, Tax – Property Article, § 9-230; Section 11

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Economic Development - Delivering Economic Competitiveness and Advancing Development Efforts (DECADE) Act

BILL NUMBER: HB 898

PREPARED BY: Governor's Legislative Office

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

_____ WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

__X__ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The DECADE Act makes alterations to business development programs, particularly those that meet the standards to be considered small businesses based on the number of workers they employ. The alterations to each program seek to increase their utility, usefulness, and accessibility to businesses in order to make Maryland's economy more resilient. The programs in the bill will collectively direct funding to qualified businesses to help expand their access to capital and to leverage state resources for business attraction, expansion, and retention efforts. Several programs impacted through the DECADE Act are directly targeted toward small businesses or have a set aside for small businesses, and continuation of those programs as well as improvements, will positively benefit those businesses. Small businesses will be directly impacted through improved access to these programs and indirectly impacted through the supply chain.