

February 26, 2020

The Honorable Guy Guzzone
Chair, Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis MD 21401

**RE: Letter of Information – Senate Bill 645 – State Income and Property Tax Credits –
Purple Line Construction Zone**

Dear Chair Guzzone and Committee Members:

The Maryland Department of Transportation (MDOT) takes no position on Senate Bill 645 but offers the following information for the Committee's consideration.

The Purple Line project, a 16-mile, 21-station light rail transit line, will connect several communities in Maryland, from Bethesda in Montgomery County to New Carrollton in Prince George's County. Senate Bill 645 would create an income and property tax credit for businesses in the impacted area, equal to the amount of revenue lost as a result of construction related to this project. The Maryland Transit Administration (MDOT MTA) would be required to calculate the amount of credit that businesses would be eligible to receive, as well as deliver the credit.

Conducting the complex business analyses required by this legislation is not a task that the MDOT MTA is currently equipped with the expertise to accomplish, and thus would need to create a new division within the Agency to accomplish this new mission. The basis of a business interruption claim – for example, a businesses' changing financial circumstances – is a complicated matter and isolating these circumstances to a direct correlation to a particular construction project is difficult.

Further, anticipated revenues of a business can be speculative and dependent upon a number of changing and varying circumstances, so a pre-existing knowledge of a business' financial health would be an essential component to any effort to establish credible loss of income. Determining if a business has some level of business interruption insurance may also be a necessary element of this exercise. In summary, there are fluctuating factors that would need to be considered when determining recipients of the credits.

The Maryland Department of Transportation respectfully requests the Committee consider this information when deliberating Senate Bill 645.

Respectfully submitted,

Charles E. Lattuca
Executive Director
Transit Development & Delivery
Maryland Transit Administration
443-326-7574

Jeff Tosi
Director of Government Affairs
Maryland Department of Transportation
410-841-2850