



MARYLAND STATE & D.C. AFL-CIO

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**HB 565 – Income Tax – Business and Economic Development Tax Credits – Termination
House Ways and Means Committee
February 12, 2020**

SUPPORT WITH AMENDMENTS

**Donna S. Edwards
President
Maryland State and DC AFL-CIO**

Madam Chair and members of the Committee, thank you for the opportunity to provide testimony in support with amendments of HB 565 – Income Tax – Business and Economic Development Tax Credits – Termination. My name is Donna S. Edwards, and I am the President of the Maryland State and DC AFL-CIO. On behalf of the 340,000 union members in the state of Maryland, I offer the following comments.

With the structural deficit increasing in Maryland and our needs to fully fund education and critical state services the need for increased revenue is clear. We cannot cut our way to prosperity or deprive Maryland citizens of necessary services. Therefore it is incumbent upon us to find new sources of revenue, and it should not come from Maryland's workers and their families.

It is prudent to examine business tax cuts whose intent was to spur economic development by creating or maintaining jobs. Not all business tax credits are created equally. Some rely solely on business self-reporting outcomes without a thorough third party audit and transparency. Other receive tax dollars based on aggregate average of employees' wages which hides the low-road employment being funded by tax payers.

The Film Activity Tax Credit is the gold star of economic development and industry expansion in Maryland. It has done exactly what was promised and exceeded expectations. It has promoted Maryland as a prime location to film television series and movies and created and maintained family-sustaining jobs, and it has had an economic impact on our State and Maryland businesses far greater than the credit itself. According to the Department of Commerce, for a grand total of \$88.7 million in credits from 2012 to 2019, production expenditures in Maryland were \$597 million with an economic impact of over \$1 billion. Thousands of Marylanders were hired to work on these projects, and over 3,000 Maryland businesses were directly involved and positively impacted by this spending.

The film industry employees are highly skilled, well paid, and have health and pension benefits. These are high-road jobs contributing to our state and local economies. The International Alliance of Theatrical Stage Employees (IASTE) and the Screen Actors Guild - American Federation of Television and Radio Artists (SAG-AFTRA) represent the vast majority of these workers ensuring job safety, good benefits, fair non-discriminatory treatment, and other job protections. Maryland's film crew and talent received world-wide acclaim by Julia Louis-Dreyfus gave Maryland a shout out when she won the EMMY.

The expansion of the film industry due to the tax credit has grown the film industry curriculums at a number of our colleges and universities. Having film productions in our state allows college students to do their internships in Maryland without needing to relocate out of state for this critical piece of their degree education.

Another important component of any successful business tax credit that aims to create jobs is accountability and transparency. Once again, the Film Activity Tax Credit exceeds on these two metrics. There is no upfront funding and the rebate is given only after production is finished and all spending on the project is approved through a thorough third party audit conducted by Commerce, with an accompanying filed tax return. No other tax credit in the State – and definitely no others in the listed tax credits of HB 565 – is required to go through this level of scrutiny.

The Maryland State and D.C. AFL-CIO holds the Film Activity Tax Credit up as a blueprint for how all business tax credits should be evaluated. Full transparency and accountability and the creation of high-road good jobs should be the defining criteria of any economic development tax credit. Instead of ending this particular business tax credit, we should continue funding it for the benefit of Maryland workers, Maryland businesses, our economy, and the taxpayers.

We urge a favorable report on HB 565, amending it to remove the Film Activity Tax Credit from the bill.