



Wednesday, February 12, 2020

Madame Chair Kaiser and Members of the House Ways and Means Committee
House Appropriations Committee, Room 121
House Office Building
6 Bladen Street
Annapolis, Maryland 21401

Re: HB 565 (Madame Chair): Income Tax – Business and Economic Development Tax Credits – Termination

Dear Madame Chair Kaiser and Members of the House Ways and Means Committee:

On behalf of the City of Gaithersburg, I am writing to convey concerns associated with HB 565, which would terminate several important tax credit programs, particularly the provision eliminating the Enterprise Zone tax credit program, on or after June 1, 2020. Respectfully, we cannot support a blanket elimination of the Enterprise Zone program over time; changes to the incentives associated with the program should be considered. Gaithersburg, like many other local government entities in Maryland, relies upon State-sponsored economic development incentives to conduct our efforts to attract businesses, retain employers, and address neighborhood revitalization.

An important factor to the success of the City depends upon Maryland's ability to compete successfully in corporate site selection decisions. While our Enterprise Zone has had no activity related to business claims on the income tax credits, we derive value from the simple fact that an area of the City, needing new investment, has this designation.

- **The State designation of Enterprise Zone has value.** The impartial evaluation of neighborhoods, and the determination by the State to designate Enterprise Zones, creates a standard for county and municipal governments. For example, Montgomery County provides county-level benefits to residential construction within a zone. This allows an exemption from impact fees. However, the State's Enterprise Zone incentives do not apply to residential construction.
- **Retaining the Enterprise Zone real property tax credit has value.** In the actual administration of the program, most private reinvestment to existing buildings does not qualify for a tax credit, as those costs are deemed "maintenance." In the event we do attract new capital investment to Olde Towne Gaithersburg, the Route 355 corridor, or Lakeforest Mall, the Enterprise Zone real property tax credit is a meaningful and appropriate incentive.

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- **Defining “areas of need” has value.** The ability to consider the conditions of geographically-based economic inequality when negotiating incentives with existing and future employers is an important component of the Enterprise Zone program. Maryland has a variety of “special” boundaries – several of which are mentioned in HB 565. A comprehensive, more effective manner to deliver assistance in targeted areas would be to consolidate the worthwhile benefits of these programs and others, such as the Department of Housing and Community Development’s Sustainable Communities program.

The City of Gaithersburg’s Enterprise Zone, at nearly no cost to the State, County or City in real property or income tax credits, is an effective marketing tool. We understand the need to monitor revenue losses, both current and potential, but would ask that the House Ways and Means Committee weigh the unintended consequences associated with HB 565. Rather than terminating programs that have a positive impact, please consider reinventing the structure and delivery of certain incentives to improve Maryland’s competitive standing.

For these reasons, the City of Gaithersburg urges an unfavorable report for HB 565.

Please do not hesitate to contact me with any questions or concerns. You may also contact the Legislative Affairs Manager for the City of Gaithersburg, Jessica Kwasny. She can be reached at jess.kwasny@gaitersburgmd.gov or 301.805.1090.

Sincerely,

Jud Ashman
Mayor