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Legislative District 2A
Washington County

Environment and Transportation
Committee

Subcommittees

Housing and Real Property

Local Government and
Bi-County Issues



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HB1193 (SB358) – Sales and Use Tax Refund – Target Redevelopment Area – Washington County

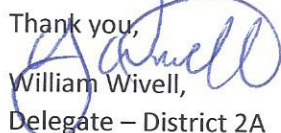
HB1193 is similar in nature to a bill filed in the 2019 Legislative session and is cross-filed with SB358. The bill is patterned after the Target Redevelopment Area previously created for Baltimore County at the Bethlehem Steel site. Specifically, the bill allows one to file for a sales and use tax refund paid on construction material and warehousing equipment purchased solely for use in a designated area. As drafted, the bill limits the sales & use tax refund to \$500,000 annually, and would sunset on December 31, 2025.

I understand that every jurisdiction has its economic development challenges, and this could easily be a state-wide program for each jurisdiction. I ask you to understand our unique situation in Washington County -- we compete directly with the business climates, regulations, and incentives offered in the adjoining states of WV and PA, as parts of Washington County separate those two states by only 12 miles.

We have several business and technology parks that have seen little to no redevelopment activity since their inception. Notably, Friendship Business Park has sought investors since the 1980's when it was owned by The Potomac Edison Company as a Technology Park. Mt. Aetna Technology Park is strategically located between Hagerstown Community College and the Meritus Medical Center. The County has partnered with the developer to build roads serving this park which, outside of a Hospice house, has seen no development activity. And, most notably, we have the closure of the Fort Ritchie Army military base in 1998. It's been 22 years since closure and that 591-acre site has seen no development activity outside of building demolition and construction of a community center. There are several other areas that may qualify as target redevelopment areas.

Senator Serafini has prepared a realistic dynamic scoring example (attached) depicting a 2 million square foot building with a total capital investment of \$138 million, comprised of \$43 million in construction materials. Potential sales tax foregone could be a total of \$2.6 million, but, if constructed in one year, would be capped at \$500,000. Based on employment projections of 1,500 at \$15.00/hour, annual State income taxes generated would be \$2.2 million, and local income taxes generated would be approximately \$1.5 million, resulting in a payback of less than one year. The result is even better than that as the calculation ignores the property tax that would be generated from the project. The example is realistic because that is the decision that companies are making – whether to locate in Franklin County, PA, Berkeley County, WV, or Washington County, MD. We need an incentive to tip the scales in our favor.

I sincerely ask that you help us to help the State of Maryland be prosperous! We want to be a contributor to the State's economy. Historically, Washington County's unemployment rate has exceeded that of the State average, and our average household income is below the State average – qualifying our County for disparity grants year after year. I ask for a favorable report on HB1193.

Thank you,

William Wivell,
Delegate – District 2A

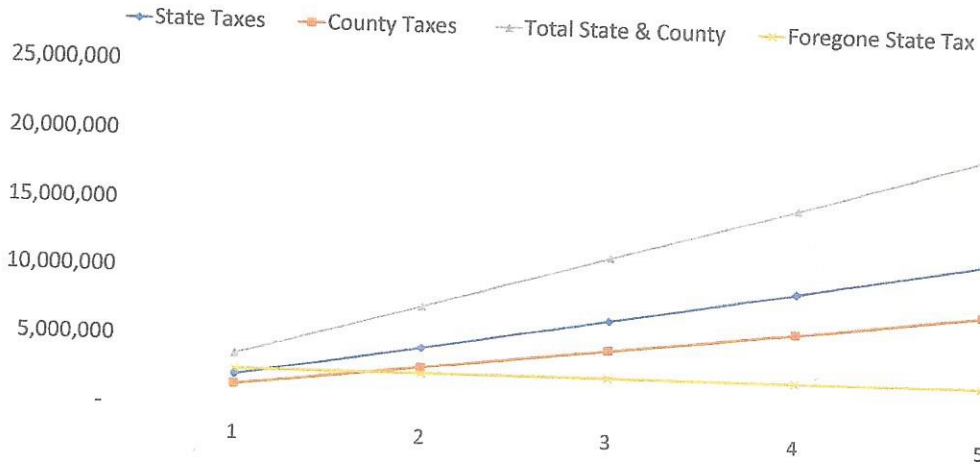
SB358 - Dynamic Scoring - Assumptions

- 2 million square feet building - \$138m Capital Investment
- Total Construction Cost - \$96.3m
- Construction Materials - \$43.35m
- Sales Tax Foregone - \$43.35m x 6% = \$2.6 million
- 1,500 employees paid \$15/hour
- 2% annual rate increase based on inflation
- State Tax Rate – 4.75%
- County Tax Rate – 3.2%

SB358 - Dynamic Scoring

Number of Employees	Hourly Rate	Annual Earnings	State Taxes	County Taxes	Total State & County
1500	15.00	46,800,000	2,223,000	1,497,600	3,720,600
1500	15.30	47,736,000	2,267,460	1,527,552	3,795,012
1500	15.61	48,690,720	2,312,809	1,558,103	3,870,912
1500	15.92	49,664,534	2,359,065	1,589,265	3,948,330
1500	16.24	50,657,825	2,406,247	1,621,050	4,027,297
	Totals	243,549,079	11,568,581	7,793,571	19,362,152

SB358 - Dynamic Scoring



SB358 – Summary

- Total Project Cost - \$138m
- Total Construction - \$96.3m
- Estimated Cost of Materials - \$43.35m
- Foregone Taxes - \$2.6 million
- State Recovers in 1-2 years
- **After 5 years State and Counties receive 7 times the Foregone Taxes**