



Larry Hogan | Governor  
Boyd Rutherford | Lt. Governor  
Kelly M. Schulz | Secretary of Commerce

**DATE:** January 27, 2021      **COMMITTEE:** Senate Budget and Taxation  
**BILL NO:** Senate Bill 186  
**BILL TITLE:** Economic Development – Job Creation Tax Credit – Credit for Hiring Veterans  
**POSITION:** Support

The Maryland Department of Commerce (Commerce) supports Senate Bill 186 – Economic Development – Job Creation Tax Credit – Credit for Hiring Veterans.

**Bill Summary:**

Senate Bill 186 repeals the Hire Our Veterans Tax Credit and creates a credit within the existing Job Creation Tax Credit (JCTC) program for the hiring of veterans. In order to do so, the bill creates a \$2,500 tax credit for small businesses that may otherwise not be eligible for the Job Creation Tax Credit that hire a qualified veteran for at least one year, and provides an additional \$1,000 Job Creation Tax Credit for companies that fill eligible positions with a qualified veteran. Small businesses may claim credits for hiring up to five qualified veterans, and may carry the tax credit backwards or forwards. Lastly, Senate Bill 186 extends the Job Creation Tax Credit until 2027.

**Background:**

In 2017 the General Assembly passed and the Governor signed legislation creating the Hire Our Veterans Tax Credit to encourage small businesses to hire qualified veterans. The tax credit allows for small businesses to claim a credit for 30% of the first \$6,000 in wages paid to a qualified veteran during a veteran’s first year of employment. Small businesses may claim a tax credit for up to five newly hired veterans in a single year. The total value of certified Hire Our Veterans Tax Credits may not exceed \$500,000 in a year.

The Hire Our Veterans Tax Credit is not achieving the intended policy goal as only nine tax credits totaling \$21,600 were certified during the first two years of the program.

The Job Creation Tax Credit (JCTC) provides a \$3,000 tax credit for the creation of eligible jobs in areas of the State that are not a revitalization area, and \$5,000 tax credit for eligible jobs created in a revitalization area of the State. The enhanced JCTC tax credit for hiring a veteran proposed in Senate Bill 186 increases the JCTC tax credit to \$4,000 in non-revitalization areas, and \$6,000 in revitalization areas if a newly created job is filled with a qualified veteran. The total value of certified tax credits for JCTC may not exceed \$4.0 million a year.

**Rationale:**

Senate Bill 186 seeks to achieve the General Assembly’s policy goal of encouraging small businesses to hire veterans by increasing the tax credit, and making it easier for small businesses to use the credit. Providing a flat \$2,500 tax credit to small businesses that hire a veteran for at least a year simplifies the tax credit for small businesses, and increases the amount of the tax credit, which under the Hire Our Veterans Tax Credit provides a maximum tax credit of \$1,800.

Currently, small businesses that hire a veteran may only claim a tax credit in the year they hire a veteran. Making the tax credit more flexible for small businesses by allowing it to be carried backward or forward will make the tax credit easier for small businesses to use.

Senate Bill 186 further strengthens the State's policy of encouraging the hiring of qualified veterans by providing an additional \$1,000 for JCTC jobs that are filled with eligible veterans. The total value of tax credits certified for JCTC fluctuates, and Commerce believes there is capacity within the program's current limit of \$4.0 million a year to accommodate the enhanced benefit. In 2020, a total of \$3,625,000 in tax credits were certified for JCTC.

In addition to encouraging the hiring of qualified veterans, Senate Bill 186 reduces potential foregone revenue to the State by \$500,000 by repealing the Hire Our Veterans Tax Credit. Tax credits awarded to small businesses that hire a veteran, and the enhanced tax credit for hiring a veteran under JCTC will be subject to the current \$4.0 million annual limit for JCTC.

**Commerce respectfully requests a favorable report on Senate Bill 186.**