



**DEPARTMENT OF
ASSESSMENTS AND TAXATION**

Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Michael L. Higgs, Jr., Director

DATE: January 27, 2021

BILL NUMBER: SB0306

COMMITTEE: Budget and Taxation

BILL TITLE: Enterprise Zones - Reimbursements to Local Governments - Request Deadline and Recovery of Overpayment

SDAT POSITION: Support

The State Department of Assessments and Taxation (SDAT) supports SB0306, a bill that would require a county or municipal corporation to submit an Enterprise Zone reimbursement request to the Department no later than May 1 of a calendar year.

Currently, to receive reimbursement for Enterprise Zone tax credits, a county or municipal corporation must submit a reimbursement request to SDAT for review and approval. Once SDAT completes these steps, the reimbursement request is sent to the Comptroller's Office of Maryland for payment. Reimbursements are typically paid in the fiscal year following the year that the credits were granted (e.g. a credit granted in FY2020 is reimbursed by the State in FY2021). Below are the two timelines for the reimbursement process that are found in Tax-Property Article § 9-103(i).

- If a county/municipal corporation submits a reimbursement request before June 30:
 - o July 31 - SDAT has until this date to certify the request to the Comptroller.
 - o August 31 - The Comptroller has until this date to issue the reimbursement.

- If a county/municipal corporation submits a reimbursement request after June 30:
 - o 30 days – After receipt of the request, SDAT has this amount of time to certify the request to the Comptroller.
 - o 30 days – After receipt of certification from SDAT, the Comptroller has this amount of time to issue the reimbursement.

Currently, there is no provision in Tax-Property Article § 9-103 that bars reimbursement for prior year credits that were never requested by a county or municipality. As such, a county/municipality may submit prior year requests along with a current request and the State would be required to reimburse each request.

Office of the Director

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For example, a county granted Enterprise Zone tax credits in FY2019 but failed to submit a request for reimbursement. The same county also granted Enterprise Zone tax credits in FY2020. When submitting its request for reimbursement of the FY2020 credits, the county realized that it did not submit a request for the FY2019 reimbursement. As a result, the county submitted a request for FY2020 and FY2019 at the same time. Both reimbursements must be paid which approximately doubles the financial impact to the State in FY2021, creating obvious budgetary concerns.

SB0306 will create a deadline of May 1 (in the year following the June 30 deadline mentioned above) to submit reimbursement requests for a given year. If a county or municipality fails to submit a request by this deadline, that request will be denied and the county/municipality will be ineligible to receive reimbursement for that particular year. This eliminates unexpected financial impacts to the State and encourages counties/municipalities to submit reimbursement requests in a timely manner, while still permitting a lengthy post-deadline grace period.

In addition, the intent of SB0306 is to create a clear process for the State to recoup any excess reimbursements paid in prior years. This would be done by reducing future reimbursements by the amount of any prior, excess reimbursements. A potential reason for excess reimbursement would be due to appeals that are finalized after a reimbursement has already been paid. This is how SDAT currently handles excess reimbursements but the Department believes that making this procedure part of Tax-Property Article § 9-103 would eliminate any ambiguity.

For these reasons, SDAT strongly urges a favorable vote by the Committee for Senate Bill SB0306.

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