

SB0186--01.27.21--Economic Development – Job Creat

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TESTIMONY PRESENTED TO THE SENATE BUDGET & TAXATION COMMITTEE

**SENATE BILL 186 - ECONOMIC DEVELOPMENT –
JOB CREATION TAX CREDIT – CREDIT FOR HIRING VETERANS
Sponsor – Department of Commerce**

January 27, 2021

**DONALD C. FRY
PRESIDENT & CEO
GREATER BALTIMORE COMMITTEE**

Position: Support

The Greater Baltimore Committee (GBC) supports Senate Bill 186, which folds the little-used stand-alone Hire Our Veterans tax credit into a component of the larger Job Creation Tax Credit (JCTC) program. Merging these two credits focused on job creation into one credit not only eliminates inefficiencies of running two programs, but also strengthens the credit for hiring a veteran by increasing the potential credit amount from \$1,800 to \$2,500.

In the GBC report *Gaining the Competitive Edge: Keys to Economic Growth and Job Creation in Maryland*, eight core pillars were identified for a competitive business environment. Senate Bill 186 is consistent with one of these pillars:

Strategic and effective state investments in business growth. The state must commit to substantive strategic investments, leveraged with capital assets, to nurture business and job growth. Investments should include competitive and effective tax credits, business development incentives, and tactical initiatives to nurture private investment in industry growth.

Finally, Senate Bill 186 is consistent with the Greater Baltimore Committee's [2021 Legislative Priorities](#) which call for supporting a strong and inclusive economic development ecosystem that improves the business climate, creates jobs, and cultivates entrepreneurship. The expanded JCTC incentivizes the creation of new jobs by Maryland businesses.

For these reasons, the Greater Baltimore Committee urges a favorable report on Senate Bill 186.

The Greater Baltimore Committee (GBC) is a non-partisan, independent, regional business advocacy organization comprised of hundreds of businesses -- large, medium and small -- educational institutions, nonprofit organizations and foundations located in Anne Arundel, Baltimore, Carroll, Harford, and Howard counties as well as Baltimore City. The GBC is a 66-year-old, private-sector membership organization with a rich legacy of working with government to find solutions to problems that negatively affect our competitiveness and viability.

GREATER BALTIMORE COMMITTEE

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SB 186_Econ Dev_Job Creation Tax Credit_Veterans_S

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Position: FAV



MARYLAND
Chamber of Commerce

LEGISLATIVE POSITION:

FAVORABLE

Senate Bill 186

Economic Development-Job Creation Tax Credit-Credit for Hiring Veterans

Senate Budget & Taxation Committee

Wednesday, January 27, 2021

Dear Chairman Guzzone and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 5,000 members and federated partners, and we work to develop and promote strong public policy that ensures sustained economic recovery and growth for Maryland businesses, employees, and families.

Senate Bill 186 creates a \$2,500 tax credit for small businesses that hire a qualified veteran for at least a 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 up to five credits in a year for hiring a veteran and may carry the tax credit backwards or forwards. Senate Bill 186 also repeals the Hire Our Veterans Tax Credit

The Maryland Chamber of Commerce supports any effort to transition military service members and their families from military life to the civilian work force. The Chamber has historically been a member of the Hiring Our Heroes program, a nationwide initiative to help veterans and military spouses find meaningful employment. Working with the U.S. Chamber of Commerce's network of 1600 state and local chambers and other strategic partners from the public, private, and non-profit sectors, its goal is to create a movement across America in hundreds of communities where veterans and military families return every day.

In addition, the Chamber supports any measure intended to support businesses, particularly small businesses, financially as they work to overcome and re-build from the COVID-19 crisis. This tax incentive could go a long way in both supporting our veterans as well as Maryland small businesses as they look to rebuild their workforce.

For these reasons, the Maryland Chamber of Commerce respectfully requests a **favorable report** on Senate Bill 186.

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SB 186_JCTC Veteran Credit_Support.pdf

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Position: FAV



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 subject to the current \$4.0 million annual limit for JCTC.

Commerce respectfully requests a favorable report on Senate Bill 186.