

SB0306 Testimony.docx.pdf

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**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.

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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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SB 306_UNF_MML.pdf

Uploaded by: Fiore, Justin

Position: UNF



Maryland Municipal League

The Association of Maryland's Cities and Towns

TESTIMONY

January 27, 2021

Committee: Senate Budget & Taxation Committee

Bill: SB 306 – Enterprise Zones – Reimbursement to Local Governments – Request Deadline and Recovery of Overpayments

Position: Oppose

Reason for Position:

The Maryland Municipal League opposes SB 306. While no municipality has missed this deadline to-date, *the concept of barring legitimate reimbursements is concerning*. Sometimes deadlines are missed for reasons outside of local control. The deadline for precluding reimbursements in this program seems reasonable, and municipal governments should be able to deal with extenuating circumstances if something forces them to miss the initial deadline. But the League is concerned that this could set a precedent to be applied to other State programs with harder to meet, shorter deadlines.

Further, SB 306 appears to be a solution without a problem. The bar for setting precedent on issues as important as recouping legitimate reimbursements should be more than theoretical.

For those reasons, the Maryland Municipal League opposes SB 306 and respectfully requests an unfavorable committee report.

FOR MORE INFORMATION CONTACT:

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SB0306-BT_MACo_OPP.pdf

Uploaded by: Kinnally, Kevin

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Senate Bill 306

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

MACo Position: **OPPOSE**

To: Budget and Taxation Committee

Date: January 27, 2021

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **OPPOSES** SB 306. This bill would needlessly undermine the State's commitment to the Enterprise Zone (EZ) program by granting the State Department of Assessments and Taxation (SDAT) arbitrary authority to permanently deny reimbursements owed to local governments for foregone property tax revenues under the program. **These punitive remedies jeopardize an important and effective program.**

The EZ program brings together state and local resources to encourage economic growth and create jobs. Businesses located within these areas are eligible for local property tax credits and state income tax credits. SDAT reimburses local governments for 50 percent of foregone revenues for property tax credits issued under the program. While SDAT requires local governments to meet an administrative filing deadline in order to be eligible for such reimbursements, applications could be delayed as a result of untimely appraisal data from SDAT, unpunctual reports from eligible businesses, or lengthy assessment appeals.

By requiring SDAT to foreclose on reimbursement requests not made within the 10 months following the June 30 administrative filing deadline, SB 306 fails to recognize that such delayed requests are likely beyond the control of local governments. This bill lacks an appropriate remedy to hold SDAT accountable for failing to provide accurate and timely assessment data, which is necessary in order to meet the application deadline.

The EZ program helps incentivize businesses to locate or expand into several low-income or underserved urban and rural communities across Maryland. This in turn creates jobs, contributes to enhancing quality of life, and expands the local tax base – enabling counties to better provide core services for their residents.

Local governments, just as the State, have a vested interest in economic development. Local economic growth creates jobs and increases salaries, expanding the tax base both locally and statewide. Therefore, state and local governments must work in partnership on these efforts.

SB 306 would jeopardize incentives designed to attract and retain businesses in areas where targeted investment is most needed, undermining county revenue structures and support for schools, public health, public safety, roadway maintenance, and other essential services. Accordingly, MACo urges an **UNFAVORABLE** report on SB 306.