

MARCH 4, 2025

# Ending Ineffective Business Tax Breaks Would Strengthen Maryland's Fiscal Health

## Position Statement in Support of House Bill 919

*Given before the Ways and Means Committee*

As policymakers have added a growing number of business subsidies to Maryland's tax code over the last several decades, evidence has begun to pile up that the millions of dollars we put into business tax breaks each year do little to support Maryland's economy. Worse, these tax breaks use up resources that could otherwise be invested in assets businesses value, such as great public schools and modern transportation infrastructure. House Bill 919 would eliminate or accelerate the elimination of multiple ineffective business tax breaks, and as a result prevent deeper cuts to public services that both businesses and families value. **For these reasons, the Maryland Center on Economic Policy supports House Bill 919.**

Maryland's economy is built on the foundation of our shared investments – things like quality health care, strong public schools, and reliable transportation networks. Surveys consistently find that these assets are among the most important factors business leaders consider when deciding where to start and grow a business.<sup>i</sup> Individuals and businesses alike help maintain these investments through our taxes. Subsidy programs meant to lure businesses instead make it harder to invest in these fundamentals.

Meanwhile, evidence shows that these special tax breaks do little to support our economy.<sup>ii</sup> One reason for the disappointing performance of tax subsidies is the relative insignificance of state and local taxes to businesses' bottom lines, as they account for only 2 to 3 percent of most companies' cost structure.<sup>iii</sup>

House Bill 919 would build on Gov. Moore's efforts to clean up Maryland's tax code by eliminating or accelerating the elimination of multiple ineffective tax breaks. These notably include several subsidies the Department of Legislative Services has specifically recommended phasing out:

- Job Creation Tax Credit
- One Maryland Economic Development Tax Credit
- Opportunity Zone Enhancement Program
- Research and Development Tax Credit
- Biotechnology Investment Tax Credit
- Purchase of Cybersecurity Technology Tax Credit
- Sales tax exemption for precious metal bullion or coins

As policymakers contemplate billions in potential cuts to vital public services, we should first eliminate poorly designed tax breaks that do little to help our economy.

**For these reasons, the Maryland Center on Economic Policy respectfully requests that the Ways and Means Committee make a favorable report on House Bill 919.**

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### **Equity Impact Analysis: House Bill 919**

#### *Bill summary*

House Bill 919 eliminates or accelerates the elimination of multiple business tax credits and tax exemption programs.

#### *Background*

The Department of Legislative Services has recommended terminating the following programs:

- Job Creation Tax Credit
- One Maryland Economic Development Tax Credit
- Opportunity Zone Enhancement Program
- Research and Development Tax Credit
- Biotechnology Investment Tax Credit
- Purchase of Cybersecurity Technology Tax Credit
- Sales tax exemption for precious metal bullion or coins

#### *Equity Implications*

Subsidy programs like those eliminated under House Bill 919 consume resources the state could otherwise invest in Maryland communities. Our growing underinvestment in essential services like education, health care, and transportation harms all Marylanders, and at the same time has outsized impacts on people who face structural barriers because of low income or the ongoing legacy of racist policy. Eliminating these subsidies will reduce the number of harmful public service cuts needed to balance Maryland's budget.

#### *Impact*

House Bill 919 would likely **improve racial and economic equity** in Maryland.

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<sup>i</sup> Geraldine Gambale, "35th Annual Corporate Survey: Effects of Global Pandemic Reflected in Executives' Site and Facility Plans," *Area Development*, 2021, <https://www.areadevelopment.com/Corporate-Consultants-Survey-Results/Q1-2021/35th-annual-corporate-survey.shtml>

Rhett Morris, "What Do the Best Entrepreneurs Want in a City? Lessons from the Founders of America's Fastest-Growing Companies," Endeavor Insight, 2014, [https://issuu.com/endeavorglobal/docs/what\\_do\\_the\\_best\\_entrepreneurs\\_want](https://issuu.com/endeavorglobal/docs/what_do_the_best_entrepreneurs_want)

<sup>ii</sup> See for example Nathan Jensen, "The Effect of Economic Development Incentives and Clawback Provisions on Job Creation: A Pre-Registered Evaluation of Maryland and Virginia Programs," *Research & Politics*, 2017, <https://journals.sagepub.com/doi/abs/10.1177/2053168017713646>

<sup>iii</sup> Robert Tannenwald, "Testimony of Robert Tannenwald, Senior Fellow, Before the New Hampshire Business Tax Commission," Center on Budget and Policy Priorities, 2010, <https://www.cbpp.org/testimony-of-robert-tannenwald-senior-fellow-before-the-new-hampshire-business-tax-commission>