



## House Bill 35

### *Economic Development - Income Tax Benefit Transfer Program - Establishment*

MACo Position: **OPPOSE**

To: Ways and Means Committee

Date: January 30, 2025

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **OPPOSES** HB 35. The bill establishes the Income Tax Benefit Transfer Program in the Department of Commerce. While the bill seeks to support small technology companies by allowing the monetization of unused tax benefits, it creates broad uncertainty about its impact on local revenue streams and essential services.

HB 35 permits eligible technology companies to transfer income tax benefits, including net operating loss (NOL) subtraction modifications and research and development (R&D) tax credits to other businesses in the state. The fiscal note underscores significant gaps in clarity regarding how these transfers will function, raising concerns about potential disruptions to county revenues, including funds supporting vital transportation infrastructure. As written, HB 35 appears to create an unprecedented avenue for corporate income tax benefits to be converted to use in the personal income tax – an unwarranted and unwise policy decision.

Rising service costs and unfunded mandates already place counties under substantial fiscal pressure. Introducing additional uncertainty into local revenue systems could undermine counties' ability to fund public safety, education, health programs, and local roads, bridges, and transit services. The bill's lack of detail leaves counties at risk of revenue instability, and there are no assurances that these impacts have been fully considered or mitigated.

MACo recognizes the intent to encourage economic growth and innovation but remains concerned about the unintended consequences for local governments. MACo and county governments stand ready to work with state policymakers to craft flexible and optional tools to deliver broad or targeted tax incentives but resist state-mandated changes that preclude local input.

For these reasons, MACo urges an **UNFAVORABLE** report on HB 35.