

Business Subsidies Should Be Reserved for Law-Abiding Employers

Position Statement in Support of House Bill 317

Given before the Economic Matters Committee

When the state provides special benefits to private companies, we should expect those companies to obey the law. Maryland spends tens of millions each year on business grants, loans, and special tax breaks in the hopes of spurring job creation. These programs use revenue that could otherwise support investments like education and child care that benefit businesses and families alike. Some do not include any standards for good wages or benefits. And many have failed to show any evidence of their effectiveness, prompting the Department of Legislative Services to recommend fundamentally reforming or even terminating multiple programs. House Bill 317 would take a much more modest step: reserving these subsidies only for businesses that comply with the state's bedrock worker protections. We should not use valuable public dollars to promote low-quality jobs that mistreat hard-working Marylanders, and we should not extend special treatment to law-breaking employers. **For these reasons, the Maryland Center on Economic Policy supports House Bill 317.**

Maryland has a wide array of economic development programs on the books. The state made \$81 million in grants, loans, and other appropriated subsidies through the Department of Commerce in FY 2021,ⁱ and has a long list of special tax breaks intended to create jobs. The tax credit programs are subject to scrutiny by the Department of Legislative Services under the Tax Expenditure Evaluation Act, and these evaluations have repeatedly found serious issues including high cost, redundancy, inadequate oversight, and straightforward ineffectiveness.

Since 2022 alone, DLS has recommended terminating, consolidating, or reining in the following business tax breaks: the One Maryland Economic Development Tax Credit,ⁱⁱ the More Jobs for Marylanders Program,ⁱⁱⁱ the Enterprise Zone Tax Credit,^{iv} the Innovation Incentive Tax Credit,^v the Credit for the Purchase of Cybersecurity Technology or Services,^{vi} the Research and Development Tax Credit,^{vii} the Film Production Activity Tax Credit,^{viii} and the Businesses that Create New Jobs Tax Credit.^{ix}

House Bill 317 does not propose any of these fundamental reforms, but would instead do something much more modest: require businesses that receive these special benefits to certify that they are complying with Maryland's labor laws – that they are not stealing wages, denying workers sick days, or otherwise violating workers' rights. This requirement mirrors (but does not duplicate) provisions of the Maryland Department of Labor's enforcement bill (House Bill 299).

If the goal of our economic development policies is to foster broadly shared prosperity – as it should be – excluding scofflaw employers that mistreat their workers is the least we can do.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Economic Matters Committee make a favorable report on House Bill 317.

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- i “Maryland Legislative Handbook Series Vol. II: Government Services in Maryland,” Department of Legislative Services, 2022, https://dls.maryland.gov/pubs/prod/RecurRpt/Handbook_Volume_2_Government_Services.pdf
- ii Katylee Cannon, Heather MacDonagh, Robert Rehrmann, and Charity Scott, “Evaluation of the One Maryland Economic Development Tax Credit,” Department of Legislative Services, 2022, https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation_One_Maryland_Economic_Development_Tax_Credit.pdf
- iii George Butler, Emily Haskel, Brett Ogden, Robert Rehrmann, and Erika Schissler, “Evaluation of the More Jobs for Marylanders Program,” Department of Legislative Services, 2022, https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation_More_Jobs_for_Marylanders_Program.pdf
- iv Mindy McConville, Brett Ogden, and Robert Rehrmann, “Evaluation of the Enterprise Zone Tax Credit,” Department of Legislative Services, 2022, https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation_Enterprise_Zone_Tax_Credit.pdf
- v Victoria Gruber and Ryan Bishop, “Innovation Investment Incentive Tax Credit Evaluation Letter,” Department of Legislative Services, 2023, <https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Review-of-the-Innovation-Investment-Incentive-Tax-Credit.pdf>
- vi Tatiana Hill, Heather MacDonagh, Brett Ogden, and Charity Scott, “Evaluation of the Credit for the Purchase of Cybersecurity Technology or Services,” Department of Legislative Services, 2023, https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation_Credit_for_Purchase_of_Cybersecurity_Technology_or_Services.pdf
- vii Elizabeth Allison, Harry Hall, Heather MacDonagh, Brett Ogden, and Charity Scott, “Evaluation of the Research and Development Tax Credit,” Department of Legislative Services, 2024, <https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation-of-the-Research-and-Development-Tax-Credit-2024.pdf>
- viii Elizabeth Allison, Kerry Michael, and Elizabeth Waibel, “Evaluation of the Film Production Activity Tax Credit Program,” Department of Legislative Services, 2025, <https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation-of-the-Film-Production-Activity-Tax-Credit-Program-2025.pdf>
- ix Daneen Banks, Heather MacDonagh, Charity Scott, and Andrew Stover, “Evaluation of the Businesses that Create New Jobs Tax Credit Program,” Department of Legislative Services, 2025, <https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation-of-the-Businesses-That-Create-New-Jobs-Tax-Credit-Program-2025.pdf>