House Bill 1295

One Maryland Economic Development Tax Credits – Simplification and Alteration

MACo Position: **SUPPORT**

To: Ways and Means Committee

Date: March 9, 2018

From: Barbara Zektick

The Maryland Association of Counties (MACo) **SUPPORTS** HB 1295, which generally streamlines and simplifies the One Maryland Tax Credit, making it easier to access for businesses and generally improving economic development opportunities in our counties.

The bill provides one credit, instead of project and start-up credits; allows businesses to claim credits in year one; reduces the carry forward from 14 to 10 years, reducing fiscal uncertainty of outstanding credits; strengthens reporting requirements on businesses; modifies the definition of a Qualified Distressed County to incorporate median household income; and makes the One Maryland Economic Development Tax Credit available to new businesses in the state which hire 10 to 25 qualifying employees. The program is only available to businesses who hire at least 25 qualifying employees under existing law.

Local governments, just like 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. Counties promote economic development through their own programs and coordinate with the State to attract and retain businesses where they will be most beneficial to our economy.

Many of the components of this bill come from recommendations made by the Department of Legislative Services (DLS) in its report, *Evaluation of the One Maryland Economic Development Tax Credit,* completed in August 2014. In that report, DLS outlined several recommendations to improve the effectiveness of the One Maryland tax credit. MACo supports this effort, as counties directly benefit from the resulting improvements in economic development when this program becomes more effective.

Additionally, MACo generally supports legislation that promotes greater access to economic development incentives. For this reason, MACo particularly supports the component of the bill which opens up eligibility of the credit to new businesses in the state that hire 10 to 25 qualifying employees. An economic development incentive in an urban area might appropriately require creation of at least 25 new qualifying jobs. In rural parts of the state, however, this bar can be too high to practically encourage economic growth. State programs that offer varying metrics and qualification criteria generally support more of Maryland's counties – and promote significant job growth throughout our entire state.

Counties also appreciate components of the bill that strengthen reporting requirements on businesses – providing increased access to data and analysis of the effectiveness of the program.

Finally, adjustments to the definition of Qualified Distressed County help promote Maryland's distressed counties by basing the selection on more reliable and indicative data. By defining these counties based upon median household income rather than per capita income, the program can better target economic development incentives in communities where they are most needed. This has the effect of broadening access to these credits to businesses in Caroline, Garrett, Kent, Washington, and Wicomico Counties.

MACo supports HB 1295 because it makes economic incentives available to more counties by broadening the criteria for qualification, while still targeting distribution of limited resources based upon objective criteria. For these reasons, MACo requests the Committee **SUPPORT** HB 1295**.**