



Senate Bill 76

Enterprise Zones – Reimbursement to Local Governments - Schedule

MACo Position: **SUPPORT**
WITH AMENDMENTS

Date: February 3, 2016

To: Budget and Taxation Committee

From: Andrea E. Mansfield

The Maryland Association of Counties (MACo) **SUPPORTS SB 76 WITH AMENDMENTS**. This bill aligns the statutory requirement for the State's reimbursement of its share of the enterprise zone property tax credit with current practice and establishes a schedule that will allow local governments to receive their reimbursement by August 31 of each year, before closing out their books for the prior fiscal year.

The Enterprise Zone Tax Credit Program provides local property and state income tax credits for businesses located in the designated zone in return for job creation and investments. The State Department of Assessment and Taxation (SDAT) is responsible for reimbursing local governments for 50% of the property tax revenue lost as a result of the local property tax credit.

Although statute requires reimbursement for the State's share of the enterprise zone tax credit on a quarterly or more frequent basis, funds for reimbursements are not allocated in the fiscal year in which property tax credits are granted; they are funded in the following fiscal year. This reimbursement process creates problems for a number of counties as they are not able to be made whole for the loss of the property tax revenue in the year in which it is foregone.

An Assessment Workgroup (AWG), established pursuant to Senate Bill 172, *Budget Reconciliation and Financing Act of 2014*, examined this issue and made a number of recommendations concerning the enterprise tax credit. SB 76 addresses one of those recommendations – SDAT should adopt new procedures to ensure that local governments receive their Enterprise Zone Tax Credit reimbursements in a timely manner.

Under the bill, if a local jurisdiction submits a request for reimbursement by June 30 of each year, SDAT will process the request by July 31, and the Comptroller will provide reimbursement by August 31. This will allow local jurisdictions to account for these credits in the current year-end closing reports.

However, if requests for reimbursements are submitted after June 30th, a reimbursement schedule is not specified; SDAT can process and the Comptroller can reimburse as soon as practicable after receipt. MACo is concerned that this broad language could leave counties waiting for reimbursements over several months. To address this concern, MACo proposes amendments to require that requests for reimbursements submitted after June 30, be processed by SDAT within 30 days of receipt and reimbursed by the Comptroller's Office within 30 days of SDAT's certification.

Accordingly, MACo would urge the Committee to vote SB 76 **FAVORABLE WITH AMENDMENTS** to ensure all enterprise zone property tax reimbursements are made in a timely manner.

Proposed Amendments to SB 76

First Reading File Bill

On page 2, in line 25 and line 27, strike "AS SOON AS PRACTICABLE" and insert "WITHIN 30 DAYS."