Senate Bill 181

Maryland Strong Manufacturing Development Act

MACo Position: **SUPPORT WITH AMENDMENTS**

To: Budget and Taxation Committee

Date: February 10, 2016

From: Andrea Mansfield

The Maryland Association of Counties (MACo) **SUPPORTS** SB 181 **WITH AMENDMENTS**. This bill provides local governments with an economic development tool to help spur manufacturing growth within their jurisdictions. Counties suggest greater flexibility over the incentives drawn from local revenues - specifically property tax credits - and clarity as to the definition of "heavy manufacturing."

SB 181 creates a Manufacturing Development Zones program administered by the Department of Economic Competitiveness and Commerce (DECC). The purpose of the program is to encourage businesses that have manufacturing facilities outside of the state to move them to Maryland. The bill targets heavy manufacturing, defined as large scale projects that include construction, mining, and metal processing. However, the bill excludes certain types of manufacturing such as papers and textiles. There is some concern that the definition and exclusions may leave out large-scale projects that may be of benefit and interest to jurisdictions applying for zone designation. For consistency, MACo suggests defining the term "manufacturing" as specified in §1-101 of the Tax – Property Article. Also, consideration should be given to including papers and textiles in the definition.

The application process appropriately puts the impetus for zone designation in the hands of local governments. Local governments may apply to DECC for the designation of a zone within their borders and, as part of their application, decide on the standards a business entity must meet before qualifying for the program. Standards include whether it is feasible to create educational or training programs and the methods that will be used to target and attract businesses. Eligible businesses would be entitled to property and income tax credits, in addition to any incentives local governments determine will be used to target and attract businesses.

While MACo appreciates the efforts to spur targeted economic development, it believes the proposed zones could be of greater utility to local governments if the bill were amended to give local governments more flexibility in setting the incentives given to qualified businesses.

Currently, the bill would require a local government to provide a 10-year property tax credit to eligible businesses. This is a 100% tax credit on the assessment increases from the value of real property improvements as calculated by the State Department of Assessments and Taxation (SDAT) and a 100% tax credit on the personal property taxes imposed on eligible properties used for manufacturing trade. Local governments who are interested in applying for a zone designation should have the authority to decide whether the property tax credit is given, how much is given, and for how long.

The employee income tax credits may also be difficult to administer. Employees working for a business located in a manufacturing zone may live in a jurisdiction located outside of the zone. Under this scenario, income tax revenues of a jurisdiction that had no role in the designation of a zone will be negatively affected. Consideration should be given to offset the losses of these jurisdictions.

The manufacturing zones created under SB 181 could be a helpful economic development tool for local governments that wish to bring manufacturing businesses to their jurisdictions. MACo believes that local buy-in for these projects would be improved by amendments that would expand the definition of manufacturing, provide local governments with greater flexibility over property tax incentives, and provide a mechanism to offset local revenue losses for employees living in jurisdictions outside of those with designated manufacturing zones. For these reasons, MACo urges a **FAVORABLE WITH AMENDMENTS** report on SB 181.