



## Senate Bill 196

### *Economic Development – Rural Economic Development Program and One Maryland Tax Credit*

MACo Position: **SUPPORT**

To: Budget and Taxation Committee

**WITH AMENDMENTS**

Date: February 18, 2015

From: Andrea Mansfield

The Maryland Association of Counties (MACo) **SUPPORTS** SB 196 **WITH AMENDMENTS**. This bill would establish the Rural Economic Development Program to spur economic activity in the rural parts of the state. The bill also changes the eligibility criteria for a county to participate in the One Maryland Tax Credit Program.

Local governments, just as 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. Therefore, state and local governments must work in partnership on these efforts.

SB 196 establishes a program with this goal in mind. The program would provide both state and local tax exemptions and offsets in seventeen counties over a ten-year time frame as an incentive for businesses to locate in those jurisdictions. Another component of the program creates an infrastructure fund to assist eight rural counties with building infrastructure necessary to encourage businesses to locate in these areas.

MACo believes this program is well intentioned, but is concerned that some jurisdictions are prohibited from participating, the job creation requirement is too rigorous for rural areas, and that the local property tax exemptions are mandated. In addition, it is concerned that the program could result in businesses relocating amongst regions of the state.

To address these concerns, MACo suggests the following amendments to SB 196.

#### **Expand Program Participation to All 24 Jurisdictions**

Economic growth, regardless of the region of the state, has statewide benefits. Instead of limiting program participation, program criteria should be flexible to enable local jurisdictions to implement programs in a manner that will best attract and retain business. All local jurisdictions should have the opportunity to participate in economic development programs.

**Local Property Tax Incentives Should Be Granted at Local Option**

Under this program, local jurisdictions are required to forgo property tax revenues for a period of 10 years. The property tax is local jurisdictions' largest revenue source and funds many needed constituent services. Absorbing these revenue losses would force local jurisdictions to choose between business incentives and funding education, health departments, and public safety. A more flexible approach is preferred; one that would authorize local jurisdictions to determine the amount and duration of the property tax credit.

**Establish Job Creation Metrics Suited for Rural and Urban Parts of the State**

To qualify for the tax incentives outlined in this bill, a business must hire at least 20 additional employees. In rural parts of the state, this bar could be set too high. State programs should set different metrics and qualification criteria best suited for the region of the state. Significant job growth in a rural jurisdiction may seem insignificant in an urban one, but both could be appropriately recognized through an incentive program like that envisioned in SB 196.

**Limit the Tax Incentives to Businesses Newly Moving Into or Expanding Within in the State**

The special incentives provided by this program are potentially lucrative, and could (without refinements) result in businesses relocating from one part of the state to another. To prohibit this from occurring, the program should apply only to businesses newly locating into Maryland, or to those launching substantial expansions in the state – not to those who may relocate intrastate.

For these reasons, MACo would urge the Committee to give SB 196 a **FAVORABLE WITH AMENDMENTS** report, and better tailor the program to benefit all regions of the state.