Senate Bill 306

Enterprise Zones - Reimbursements to Local Governments - Request Deadline and Recovery of Overpayment

MACo Position: **OPPOSE**

To: Budget and Taxation Committee

Date: January 27, 2021

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **OPPOSES** SB 306. This bill would needlessly undermine the State's commitment to the Enterprise Zone (EZ) program by granting the State Department of Assessments and Taxation (SDAT) arbitrary authority to permanently deny reimbursements owed to local governments for foregone property tax revenues under the program. **These punitive remedies jeopardize an important and effective program.**

The EZ program brings together state and local resources to encourage economic growth and create jobs. Businesses located within these areas are eligible for local property tax credits and state income tax credits. SDAT reimburses local governments for 50 percent of foregone revenues for property tax credits issued under the program. While SDAT requires local governments to meet an administrative filing deadline in order to be eligible for such reimbursements, applications could be delayed as a result of untimely appraisal data from SDAT, unpunctual reports from eligible businesses, or lengthy assessment appeals.

By requiring SDAT to foreclose on reimbursement requests not made within the 10 months following the June 30 administrative filing deadline, SB 306 fails to recognize that such delayed requests are likely beyond the control of local governments. This bill lacks an appropriate remedy to hold SDAT accountable for failing to provide accurate and timely assessment data, which is necessary in order to meet the application deadline.

The EZ program helps incentivize businesses to locate or expand into several low-income or underserved urban and rural communities across Maryland. This in turn creates jobs, contributes to enhancing quality of life, and expands the local tax base – enabling counties to better provide core services for their residents.

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 306 would jeopardize incentives designed to attract and retain businesses in areas where targeted investment is most needed, undermining county revenue structures and support for schools, public health, public safety, roadway maintenance, and other essential services. Accordingly, MACo urges an **UNFAVORABLE** report on SB 306.