



Senate Bill 386

Tax Credit - Manufacturing Empowerment Zones

MACo Position: **SUPPORT**
WITH AMENDMENTS

Date: February 24, 2016

To: Budget & Taxation Committee

From: Andrea Mansfield

The Maryland Association of Counties (MACo) **SUPPORTS SB 386 WITH AMENDMENTS**. This bill provides local governments with an economic development tool to help spur manufacturing growth within their jurisdictions. Counties suggest a more defined role in the designation of a manufacturing empowerment zone, broader criteria to be used in the designation of the zone, and greater flexibility over the incentives drawn from local revenues – specifically, property tax credits.

SB 386 creates a Manufacturing Empowerment Zone 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. MACo believes this program is a viable economic development tool for local governments, but suggests the following changes to provide a greater incentive for local government participation.

Local Governments Should Apply for the Manufacturing Zone Designation Instead of DECC Designating Zones with Minimal Local Input – Local governments view themselves as partners in economic development. Accordingly, the State and local governments should work together when designating and approving economic development zones and/or regions. Current programs such as the Enterprise Zone Tax Credit and the Regional Incentive Strategic Enterprise Zone Program operate in this manner. Similarly, SB 181 – heard in this committee previously - authorizes local governments to apply for the designation of a manufacturing zone. MACo would prefer this approach instead of the DECC designation process outlined in the bill.

Manufacturing Zone Designation Criteria Should be Expanded to Include a Municipal Growth Element or a County Designated Growth Area – Language in the bill specifies that a manufacturing empowerment zone must be located in a Priority Funding Area (PFA) and meet at least one other defined criteria. PFAs can be relatively scarce and limiting depending

upon the area of the state (this is especially true in rural jurisdictions). A Municipal Growth Area is an area outside of an incorporated municipality where the municipality and the county have jointly agreed to focus future development.

In other instances, PFAs can be too confining but non-PFA areas cannot satisfy the State's strict guidelines for PFA qualification. This, in particular, hurts rural counties and will disqualify many areas of the state from taking advantage of the program being created by SB 386. This would be addressed and a more level playing field established if the bill provided for a designation in a "Designated Growth Area." These are areas designated by Adopted and Approved County Plans where development is encouraged and is to be directed. Infrastructure is either present or being provided as part of the development process.

Local Governments Should Have Greater Flexibility in Establishing the Amount and Duration of Property Tax Credits – Some of the incentives offered to businesses are drawn from local revenues such as the property tax. The property tax is local government's largest revenue source and it 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. Although the bill authorizes local governments to establish local real and personal property tax incentives, the incentives are required for a duration of 10 years and would be equal to the full amount of the taxes to be collected over a base year. MACo seeks a more flexible approach; one that would authorize local jurisdictions to determine the amount and duration of the property tax credit based on the amount of investment and jobs created by the company.

For the reasons outlined above, MACo urges a **FAVORABLE WITH AMENDMENTS** report on SB 386.