MARYLAND Association of COUNTIES

Senate Bill 737

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

Senate Bill 738

Economic Development - Maryland Economic Development Program and One Maryland Tax Credit

MACo Position: **SUPPORT WITH AMENDMENTS**

To: Budget and Taxation Committee

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From: Andrea Mansfield

The Maryland Association of Counties (MACo) **SUPPORTS** SB 737 and SB 738 **WITH AMENDMENTS**. These bills (SB 737 focusing on rural areas, SB 738 statewide) would establish Economic Development Programs to spur economic activity in rural and suburban parts of the state. The bills also change 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 737 and SB 738 establish programs with this goal in mind. The programs would provide both state and local tax exemptions and offsets in 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 supports the goals of the two nearly parallel bills, but believes amendments could improve their effectiveness. Counties are concerned that the job creation requirements may prove too rigorous for rural areas, the local property tax exemptions are unduly rigid, and the program could result in businesses relocating among regions of the state.

To address these concerns, MACo suggests the following amendments to SB 737 and SB 738:

Local Property Tax Incentives – Local Option on Amount, Duration
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 provides funds for 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 the bills as introduced, a business must hire at least 20 additional employees. In rural parts of the state, this bar could be set too high to reach its practical goals. 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 those envisioned in SB 737 and SB 738.

Limit Tax Incentives, Apply Only to Businesses Newly Moving Into or Expanding Within 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 either SB 737 or SB 738 a **FAVORABLE WITH AMENDMENTS** report to better tailor the programs to benefit the state and local partnership for economic development.