

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 342
Ways and Means

(Montgomery County Delegation)

Budget and Taxation

**Montgomery County - Property Tax Credit for Qualified Enterprise Zone
Property - Extension
MC 3-17**

This bill alters one of the eligibility criteria for a specified local enterprise zone property tax credit in Montgomery County by extending the date by which improvements must be made on the property from January 1, 2020, to January 1, 2025. Under current law, the property must (1) be located within the area encompassed by the Burtonsville Crossroads Neighborhood Plan developed by the Montgomery County Planning Department; (2) be zoned for commercial or commercial/residential mixed use development; and (3) have had improvements made on it by January 1, 2020.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: None. The bill does not directly affect State operations or finances.

Local Effect: None. No businesses in the designated area are currently claiming the property tax credit. Qualifying businesses in the Burtonsville area will have an additional five years to make improvements to property in order to be eligible for the property tax credit.

Small Business Effect: Potential meaningful. To the extent small businesses in the Burtonsville area meet the eligibility criteria for the property tax credit, they will be eligible for property tax credits.

Analysis

Current Law: Montgomery County or a municipality in the county is authorized to provide a property tax credit for improvements made by an eligible business entity to qualified enterprise zone property and for personal property owned by an eligible business entity located on qualified enterprise zone property. The jurisdiction may provide for the amount and duration of the tax credit, qualifications for eligibility, and other provisions for the tax credit. In addition, a business entity that receives an enterprise zone property tax credit must provide to a tenant under a lease agreement an amount equivalent to the enterprise zone property tax credit.

An eligible business entity is defined as a person who operates or conducts a trade or business on qualified enterprise zone property but does not own the property. Qualified enterprise zone property is defined as real property that (1) is used in a trade or business by an eligible business entity; (2) is not used for residential purposes; and (3) is located in an enterprise zone and eligible for an enterprise zone property tax credit.

Chapter 134 of 2013 altered the definition of qualified enterprise zone property for purposes of a specified local property tax credit in Montgomery County to include property that (1) is located within the area encompassed by the Burtonsville Crossroads Neighborhood Plan developed by the Montgomery County Planning Department; (2) is zoned for commercial or commercial/residential mixed use development; and (3) has had improvements made on it by January 1, 2020.

Chapter 135 of 2013 altered the definition of qualified enterprise zone property for purposes of a specified local property tax credit in Montgomery County to include property that (1) is located within the area encompassed by the Glenmont Shopping Center area, the Metro Station/Layhill Triangle Block, the Winexburg Manor Apartments area, the Glenmont Forest Apartments area, and the Privacy World area of the Glenmont Sector Plan developed by the Montgomery County Planning Department; (2) is zoned for commercial or commercial/residential mixed use development; and (3) has had improvements made on it by January 1, 2025.

State Tax Credit Program

Businesses located within a Maryland enterprise zone are eligible for local property tax credits and State income tax credits for 10 years after the designation of the enterprise zone. Any business moving in after the designation qualifies for the tax credits, if the business meets all applicable eligibility standards, is certified as being in compliance by the appropriate local government, and creates new or additional jobs or makes capital investments. Any business that is already located in an area that is designated as an enterprise zone can qualify for the credit for the capital investment and labor force expansion occurring after designation of the enterprise zone.

Real property tax credits are 10-year credits against local real property taxes on a portion of the qualifying real property improvements in the enterprise zone. The State Department of Assessments and Taxation reimburses local governments for one-half of the cost of the property tax credit. The income tax credit is based on wages paid to newly hired employees and can be taken over a one- to three-year period. The credits are based on the wages paid during the taxable year to each qualified employee and vary in value and length of time depending on whether the employee is certified from the Department of Labor, Licensing, and Regulation as being economically disadvantaged and if the business is located in a focus area.

Local Fiscal Effect: Montgomery County advises that the county has enacted a local enterprise zone property tax credit. However, no businesses in the Burtonsville area have claimed the property tax credit. As a result, the bill does not have an immediate effect on county property tax revenues. The bill provides qualifying businesses in the Burtonsville area an additional five years to make improvements to property in order to become eligible for the property tax credit. The total cost for the additional property tax credits will depend on the number of businesses qualifying for the local property tax credit and the tax credit amount provided under the local program.

Montgomery County reports that 53 businesses in the four State enterprise zones (Olde Towne, Glenmont, Long Branch/Takoma Park, and Wheaton) claimed approximately \$1.2 million in the local enterprise zone property tax credit in fiscal 2016, or approximately \$22,000 per business.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Montgomery County; Department of Legislative Services

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