

DIVISION OF FINANCE
JOB CREATION TAX CREDIT

ANNUAL STATUS REPORT
FISCAL YEAR 2013
ECONOMIC DEVELOPMENT ARTICLE

SECTION 6-307

Submitted by:

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Development

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**STATUS REPORT
JOB CREATION TAX CREDIT
FISCAL YEAR 2013**

JOB CREATION TAX CREDIT OVERVIEW

The Job Creation Tax Credit (JCTC) was enacted in 1996 to provide income tax credits to businesses that create new jobs in Maryland. The purpose of the program is to attract new businesses to locate in Maryland and to encourage existing businesses to expand. It can be used by companies large and small, anywhere in the State. It provides income tax credits to businesses that meet specific job creation thresholds and provides greater incentives to companies that locate in priority funding areas and revitalization areas. The Department of Business and Economic Development (DBED) uses the JCTC to market the State as a location that is competitive with other states, most of which have similar job creation tax credits.

Under the JCTC program, a business that creates a minimum number of new jobs may qualify for income tax credits of 2.5 percent of annual wages up to \$1,000 per new job. If the business locates in a revitalization area (enterprise zone, empowerment zone or Department of Housing and Community Development sustainable community), the credit increases to 5 percent of annual wages up to \$1,500 per new job.

To qualify for the JCTC, a business must do the following:

- Declaration of Intent: A business may not claim any employees hired prior to the business notifying DBED of its intent to seek certification for the JCTC.
- Certification: A business must be certified as a qualified business entity eligible for the tax credit. To be certified, a business must submit applications to DBED.
- Job Creation Minimums: The business must create 60 new, full-time jobs at the expanding or new facility during a 24-month period. In designated “priority funding areas” (as defined by the JCTC statute), the minimum is 25. Outside “priority funding areas,” the requirement may be reduced to as few as 30 new jobs if the aggregate annual payroll of the new employees is greater than 60 multiplied by the State’s average annual salary.
- Other General Requirements:
 - The new or expanded facility must be engaged in an eligible activity as defined by the statute.
 - Only new jobs that pay more than 150 percent of the federal minimum wage are eligible for the credit.
 - The expansion or establishment of a business must be at a single location in Maryland. A single firm may have more than one eligible location, provided that each is certified and meets the requirements of the statute.
 - The job must be filled for 12 months before it is qualified for the tax credit.

A business must maintain the positions for which it claims credit for three years following the credit year. If the number of jobs falls below the threshold (60, 30 or 25), the credits claimed must be repaid in full. If the number of jobs for which the credit is

claimed falls more than 5% but remains above the threshold, then the amount of the tax credit to be repaid is in proportion to the decline in certified employees. Businesses that claim the credit must provide an annual statement to DBED verifying the number of jobs at the facility and at the end of the three-year recapture period provide a statement from an independent CPA whether any recapture is due the State.

JOB CREATION TAX CREDIT ACTIVITY

The JCTC is DBED's most popular tax credit because it is available anywhere in the State in a variety of targeted industry sectors. In FY 2013 (July 1, 2012 through June 30, 2013), DBED issued 14 preliminary certificates and 11 final certificates (Appendix A) of eligibility for the JCTC. In FY 2013, businesses that submitted final applications created 456 new jobs in Maryland with total wages of \$35.5 million. In addition, DBED received 45 intent letters from businesses that may qualify for the JCTC in the future.

In terms of actual job creation, DBED has required businesses submit a final application since 2001 to report on actual jobs created. DBED has issued 171 Final Certificates to businesses creating almost 15,900 jobs with an average wage of approximately \$47,498.

Businesses in 16 counties in the State of have received final certification for the JCTC. The chart below shows the activity by region:

Region	Actual Jobs
Greater Baltimore	8,658
Suburban Maryland	5,621
Southern Maryland	0
Eastern Shore	519
Western Maryland	1,088
Total	15,886

*Since 2001, DBED has required businesses to report actual jobs as well as projected jobs.

TAX CREDITS EARNED

DBED issues a business a final certificate of eligibility when it meets the minimum requirements of the statute. While the business reports on the application the number of jobs it created, DBED does not know if the business ever claims credits for those jobs on its tax return. There are a number of reasons why a business may not claim the JCTC including insufficient tax liability, loss of jobs, etc. According to data provided by the Comptroller of Maryland, for tax years 1996-2011 (tax year 2010 and 2011 do not include all tax returns filed because of allowed extensions), businesses have earned about \$10.7 million in job creation tax credits.

Appendix A: Businesses Receiving Final Certification of Eligibility in FY 2013

Customer Name	County	Actual Jobs
Cyberpoint International, LLC	Baltimore City	25
The Sherwin Williams Company	Somerset	31
The Sherwin Williams Company	Somerset	75
ViPs, Inc.	Baltimore	47
Millennial Media, Inc.	Baltimore City	37
Millennial Media, Inc.	Baltimore City	35
Zenimax Media, Inc.	Baltimore	71
US Silica Company	Frederick	34
Bob's Discount Furniture, LLC	Harford	39
GCC Technologies, LLC	Garrett	25
Cyberpoint International, LLC	Baltimore City	37

Businesses receiving multiple Certificates of Eligibility applied for multiple tax years.