

OFFICE OF FINANCE
JOB CREATION TAX CREDIT

ANNUAL STATUS REPORT
FISCAL YEAR 2019
ECONOMIC DEVELOPMENT ARTICLE

SECTION 6-307

Submitted by:

Maryland Department of Commerce

December 2019

**STATUS REPORT
JOB CREATION TAX CREDIT
FISCAL YEAR 2019**

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 Commerce (Commerce) 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. The JCTC underwent major reform during the 2017 session to reflect the current economic climate and to improve compliance.

January 1, 2018

Under the JCTC program, a business that creates a minimum number of new jobs may qualify an income tax credit of \$3,000 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 \$5,000 per new job.

The business may not claim more than \$1 million in a credit year. Commerce cannot certify more than \$4 million in tax credits in a calendar year. Credits will be certified on a first-come, first-serve basis based on when Commerce receives the final application and the availability of credits.

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 Commerce 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 Commerce.
- 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. If the facility locates in counties with annual average employment less than 75,000 or median household income less than two-third of the statewide median household income, the requirement is reduced to 10 new jobs.

Counties with 10 Job Minimum		
Allegany	Charles	Somerset
Baltimore City	Dorchester	Talbot
Calvert	Garrett	Washington
Caroline	Kent	Wicomico
Carroll	Queen Anne's	Worcester
Cecil	Saint Mary's	

- 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 120 percent of the state 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, 25 or 10), 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 Commerce verifying the number of jobs at the facility.

JOB CREATION TAX CREDIT ACTIVITY

The JCTC is Commerce's most popular tax credit because it is available anywhere in the State in a variety of targeted industry sectors. In FY 2019 (July 1, 2018 through June 30, 2019), Commerce issued 42 preliminary certificates and 18 final certificates (Appendix A – provides data for each entity certified) of eligibility for the JCTC. The second half of FY 2019, Commerce certified \$ 1,855,000 in tax credits. In FY 2019, businesses that submitted final applications created 547 new jobs in Maryland with total wages of \$ 46 million. In addition, Commerce received intent letters from businesses that may qualify for the JCTC in the future.

Since, 2001 Commerce has issued 256 Final Certificates to businesses creating 21,581 jobs with an average wage of approximately \$457,157.

Businesses in 22 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	12,218
Suburban Maryland	7129
Southern Maryland	37
Eastern Shore	709
Western Maryland	1488
Total	21,581

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

TAX CREDITS CLAIMED

Commerce issues a business a final certificate of eligibility when the business meets the minimum requirements of the statute. While the business reports on the application the number of jobs it created, Commerce 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 1996-2015, businesses have earned about \$11.7 million in job creation tax credits and for fiscal years 6/30/2016-6/30/2019*, businesses have earned about \$5.7 million in job creation tax credits, totaling \$17 million in job creation tax credits through fiscal year ending 6/30/2019.

*The Comptroller of Maryland changed their reporting system and provides data on a fiscal year basis.

Appendix A: Businesses Receiving Final Certification of Eligibility in FY 2019

July – December 2018

Customer Name	County	Actual Jobs	JCTC Credit	Eligible Activity	Entity's Establishment	Presence in Maryland before JCTC	Total Number of Employees in Maryland	Total Number of Years in Business
Fresh Ideation Food Group, LLC	Baltimore City	10	50,000	Manufacturing	New	No	25	2
Fresh Ideation Food Group, LLC	Baltimore City	15	75,000	Manufacturing	New	No	25	2
Stratus Solutions, Inc.	Howard	33	99,000	Computer Services	Expansion	Yes	85	10
Credible Behavioral Health, Inc.	Montgomery	29	145,000	Computer Programming	Relocation	Yes	111	18
Miltec Corporation	Queen Anne's	11	55,000	Manufacturing	Expansion	Yes	66	29

January – June 2019

Customer Name	County	Actual Jobs	JCTC Credit	Eligible Activity	Entity's Establishment	Presence in Maryland before JCTC	Total Number of Employees in Maryland	Total Number of Years in Business
D. Wheatley Enterprise, Inc.	Harford	28	140,000	Manufacturing	Expansion	Yes	73	37
Plastipak Packaging, Inc.	Harford	28	140,000	Manufacturing	Expansion	Yes	166	4
Jubilant Cadista Pharmaceuticals, Inc.	Wicomico	46	230,000	Manufacturing	Expansion	Yes	312	13
ZeniMax Media, Inc.	Montgomery	103	515,000	Research & Development	Expansion	Yes	1050	20
Beitzel Corporation	Garrett	33	165,000	Manufacturing	Expansion	Yes	356	40
Tidewater Direct, LLC	Queen Anne's	14	42,000	Manufacturing	Expansion	Yes	92	14
Tulkoff Foods	Baltimore	16	80,000	Manufacturing	Expansion	Yes	91	82
Key W	Anne Arundel	30	90,000	Computer Related Services	Expansion	Yes	638	10
Key W	Anne Arundel	45	135,000	Computer Related Services	Expansion	Yes	638	10
Key W	Anne Arundel	31	93,000	Computer Related Services	Expansion	Yes	638	10
Key W	Anne Arundel	30	90,000	Computer Related Services	Expansion	Yes	638	10
Strouse	Carroll	13	39,000	Manufacturing	Expansion	Yes	76	33
ZeniMax Media	Montgomery	32	96,000	Research & Development	Expansion	Yes	1050	20

