

OFFICE OF FINANCE
JOB CREATION TAX CREDIT

ANNUAL STATUS REPORT
FISCAL YEAR 2018
ECONOMIC DEVELOPMENT ARTICLE

SECTION 6-307

Submitted by:

Maryland Department of Commerce

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**STATUS REPORT
JOB CREATION TAX CREDIT
FISCAL YEAR 2018**

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. The new JCTC program became effective January 1, 2018. Therefore, the FY 2018 report includes the program activities under the old and new statutes.

Under Old Statutes – July 1, 2017- December 31, 2017

Under the old 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 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. 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 Commerce 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.

Under New Statute – January 1, 2018- June 30, 2018

Under the new 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 2018 (July 1, 2017 through June 30, 2018), Commerce issued 31 preliminary certificates and 18 final certificates (Appendix A) of eligibility for the JCTC. The second half of FY 2018, Commerce certified \$1,241,000 in tax credits. In FY 2018, businesses that submitted final applications created 2,384 new jobs in Maryland with total wages of \$93.6 million. In addition, Commerce received 81 intent letters from businesses that may qualify for the JCTC in the future.

Since, 2001 Commerce has issued 238 Final Certificates to businesses creating 21,034 jobs with an average wage of approximately \$48,145.

Businesses in 18 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	12,000
Suburban Maryland	6,932
Southern Maryland	37
Eastern Shore	610
Western Maryland	1,455
Total	21,034

*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 (tax year 2015 does not include all tax returns filed because of allowed extensions), businesses have earned about \$11.7 million in job creation tax credits.

Appendix A: Businesses Receiving Final Certification of Eligibility in FY 2018

July – December 2017

Customer Name	County	Actual Jobs
Zenimax Media, Inc.*	Montgomery	69
Zenimax Media, Inc.*	Montgomery	39
Bob's Discount Furniture, LLC	Haford	150
Beitzel Corporation	Garrett	69
Beitzel Corporation	Garrett	5
Sealy Mattress Manufacturing Company, LLC	Washington	64
Amazon.com.dedc, LLC	Baltimore City	1505
TCC, LLC	Baltimore	31
Morgan Stanley & Co., LLC	Baltimore City	149

January – June 2018

Customers Name	County	Actual Jobs	JCTC Credit
Taylor Farms Maryland, Inc.	Howard	32	\$160,000
ZeniMax Media, Inc.*	Montgomery	76	\$380,000
Helion Technologies, Inc.	Baltimore	37	\$111,000
Vision Technologies, Inc.	Anne Arundel	25	\$75,000
Tailored Solutions & Consulting, Inc.	Montgomery	3	\$15,000
Tenable, Inc.	Howard	46	\$138,000
J.J. McDonnell & Co., Inc.	Howard	29	\$87,000
Crystal Steel Fabricators, Inc.	Caroline	27	\$135,000
XPO Logistic Supply Chain, Inc.	Harford	28	\$140,000

*A business receiving multiple Certificates applied for multiple tax years.