

DIVISION OF FINANCE
JOB CREATION TAX CREDIT

ANNUAL STATUS REPORT
FISCAL YEAR 2010
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 2010**

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 rewards only those companies that actually meet job creation targets 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 designated neighborhood), the credit increases to 5 percent of annual wages up to \$1,500 per new job.

To qualify for the Job Creation Tax Credit, 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 Job Creation Tax Credit.
- 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 Job Creation Tax Credit 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 used must be repaid in full. If the number of jobs for which the credit is taken 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 the Department 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 2010 (July 1, 2009 through June 30, 2010), DBED issued 16 preliminary certificates of eligibility and 15 final certificates (Appendix A) of eligibility for the JCTC. In FY 2010, businesses that submitted final applications created 2,507 new jobs in Maryland with total wages of \$94.2 million. In addition, DBED received 34 intent letters from businesses that plan to qualify for the Job Creation Tax Credit in the future.

In terms of actual job creation, the Department has required businesses submit a final application since 2001 to report on actual jobs created. Over 125 facilities have reported creating over 13,400 jobs with an average wage of approximately \$44,700.

Businesses in 13 counties in the State of have received final certification for the JCTC. The chart below shows the activity by region:

*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 1996-2008 (tax year 2008 does not include all tax returns filed for 2008 because of allowed extensions), businesses have earned about \$9.4 million in job creation tax credits.

Appendix A: Businesses Receiving Final Certification of Eligibility in FY 2010

Customer Name	Actual Jobs
Gaylord Hotels, Inc.	1,137
Digital Receiver Technology Inc	39
Digital Receiver Technology Inc	38
Digital Receiver Technology Inc	38
Digital Receiver Technology Inc	54
White Marsh Distribution, LLC (Charming Shoppes)	17
White Marsh Distribution, LLC (Charming Shoppes)	40
White Marsh Distribution, LLC (Charming Shoppes)	25
White Marsh Distribution, LLC (Charming Shoppes)	75
Stifel Nicolaus & Company	32
Cellco Partnership	603
Global Payments Direct, Inc.	154
Sierra Nevada Corporation	79
SC&H Group, Inc	12
Hardwire LLC	25
Federal Insurance Company	<u>139</u>
Total	2,507

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