

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 2020

**STATUS REPORT
JOB CREATION TAX CREDIT
FISCAL YEAR 2020**

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 2020 (July 1, 2019 through June 30, 2020), Commerce issued 10 preliminary certificates and 7 final certificates (Appendix A – provides data for each entity certified) of eligibility for the JCTC. In FY 2020, Commerce certified \$2,713,000 in tax credits. In FY 2020, businesses that submitted final applications created 603 new jobs in Maryland with total wages of \$59 million. In addition, Commerce received intent letters from businesses that may qualify for the JCTC in the future.

Since, 2001 Commerce has issued 263 Final Certificates to businesses creating 22,184 jobs.

The chart below shows the activity by region:

Region	Actual Jobs
Greater Baltimore	12,278
Suburban Maryland	7663
Southern Maryland	37
Eastern Shore	709
Western Maryland	1497
Total	22,184

*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 6/30/2016-6/30/2020*, businesses have earned about \$8.2 million in job creation tax credits, totaling \$19.9 million in job creation tax credits through fiscal year ending 6/30/2020.

*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 2020

July – December 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
T-Rex Solutions, LLC	Prince George's	57	\$285,000	Computer Related Service	Expansion	Yes	150	21 Years
Tenable, Inc.	Howard	60	\$180,000	Research and Development	Expansion	Yes	465	17 Years
Marriott International Design and construction Services, Inc.	Montgomery	56	\$280,000	Headquarters	Expansion	Yes	291	47 Years
Marriott International Administration Services	Montgomery	200	\$1,000,000	Headquarters	Expansion	Yes	3720	23 Years

January – June 2020

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
Beitzel Corporation	Garrett	9	\$45,000	Manufacturing	Expansion	Yes	356	40 Years
Zenimax Media, Inc. (Rockville)	Montgomery	130	\$650,000	Computer Related Services	Expansion	Yes	1127	21 Years
Zenimax Media, Inc. (Hunt Valley)	Montgomery	91	\$273,000	Computer Related Services	Expansion	Yes	1127	21 Years