



Larry Hogan | Governor
Boyd Rutherford | Lt. Governor
Kelly M. Schulz | Secretary of Commerce
Benjamin H. Wu | Deputy Secretary of Commerce

December 2, 2019

The Honorable Thomas V. Mike Miller, Jr.
President, Maryland Senate
State House, H-107
Annapolis, Maryland 21401-1991

The Honorable Adrienne A. Jones
Speaker, Maryland House of Delegates
State House, H-101
Annapolis, Maryland 21401-1991

RE: More Jobs for Marylanders Tax Credit – Annual Report

Dear President Miller and Speaker Jones:

Pursuant to Economic Development Article §6-809, I am pleased to submit the Department of Commerce's More Jobs for Marylanders Tax Credit Annual Report.

I look forward to your review of this report and will be available to furnish any additional information that is needed. If my staff or I can be of further assistance, or if you have any questions regarding this report, please contact me at 410-767-6301.

Sincerely,

Kelly M. Schulz
Secretary

KMS/rjr

DIVISION OF FINANCE
MORE JOBS FOR MARYLANDERS PROGRAM

ANNUAL STATUS REPORT
FISCAL YEAR 2019
TAX-GENERAL ARTICLE

SECTION 6-809

Submitted by:

Maryland Department of Commerce

December 2019

STATUS REPORT MORE JOBS FOR MARYLANDERS FISCAL YEAR 2019

PROGRAM OVERVIEW

Chapter 149, Acts of 2017, established the More Jobs for Marylanders Program (Program) within the Department of Commerce (Commerce) to incentivize and encourage manufacturers to create jobs in areas of Maryland that need jobs the most. The incentives are available for a 10-year period for eligible new and existing manufacturers in “Tier 1” or “Tier 2” areas in Maryland that are enrolled in the Program before June 1, 2022, create the minimum required jobs, offer ongoing job training and meet other Program requirements. Chapter 211, Acts of 2019 expanded the program to allow non-manufactures that locate or expand in a Maryland Opportunity Zone to also qualify.

BENEFIT

The benefits are available for a 10 year period.

TIER 1 NEW MANUFACTURING BUSINESS: (a) a refundable credit against the State’s income tax of 5.75% of wages for each qualified position; (b) a credit against the State’s portion of the property tax; (c) a refund of sales and use tax; and (d) a waiver of fees charged by SDAT.

TIER 1 OR TIER 2 EXISTING MANUFACTURING BUSINESS: A refundable credit against the State’s income tax of 5.75% of wages for each qualified position.

OPPORTUNITY ZONE NEW NON-MANUFACTURING BUSINESS: (a) a refundable credit against the State’s income tax of 5.75% of wages for each qualified position; (b) a credit against the State’s portion of the property tax that is the lesser of 100% of state property tax OR \$250 per qualified position; (c) a refund of sales and use tax; and (d) a waiver of fees charged by SDAT.

OPPORTUNITY ZONE NON-MANUFACTURING EXISTING BUSINESS: A refundable credit against the State’s income tax of 5.75% of wages for each qualified position.

Tier 1 Areas include: Baltimore City, Allegany, Baltimore, Caroline, Cecil, Dorchester, Garrett, Kent, Prince George’s, Somerset, Washington, Wicomico and Worcester Counties. Tier 1 Areas also include Opportunity Zones located in any Maryland county. Tier 2 Areas are any areas which are **not** Tier 1 Areas.

QUALIFICATIONS

To qualify a manufacturing business must:

- Be a manufacturer primarily engaged in activities at the facility that according to the North American Industrial Classification System, would be included in Sector 31, 32, or 33, except for Refiners.

- Offer ongoing job training or a post-secondary education program (e.g. tuition reimbursement).
- Provide Notice of Intent (NOI) to enroll in the program.
- New or existing manufacturers in Tier 1 Areas must create at least **5** new Qualified Positions.
- Existing manufacturers in Tier 2 Areas must create at least **10** new qualified jobs.
- A Qualified Position is a job that is full-time, pays at least 120% of State minimum wage, and is filled for 12 months before they qualify for credits.
- Begin hiring within 12 months of the Notice of Intent to Commerce. Once a business begins hiring, it must add 5 new qualified positions (Tier 1 Areas) or 10 new qualified positions (Tier 2 Areas) within 12 months after the date of its first new hire.
- Existing manufacturers that move their facility from one Maryland County to another after June 1, 2017 will not be eligible to participate.
- Be certified by Commerce as a qualified business entity.

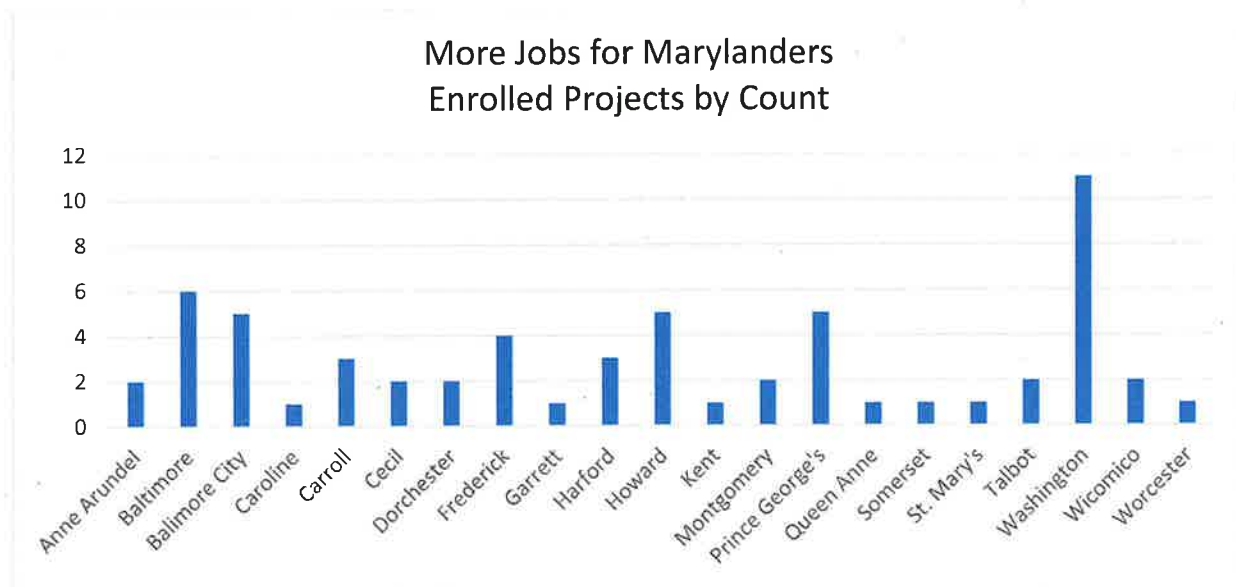
To qualify, a non-manufacturing business must:

- Be located in an Opportunity Zone
- Provide Notice of Intent (NOI) to Commerce before it begins hiring.
- Create at least 5 Qualified Positions.
 - A Qualified Position is a job that is full-time, pays at least \$50,000 per year, and is filled for 12 months before they qualify for credits.
- Offer ongoing job training or provide a post-secondary education program.
- Begin hiring within 12 months of its Notice of Intent to Commerce. Once a business begins hiring, it must add 5 new qualified within 12 months after the date of its first new hire.
- Existing businesses that move their facility from one Maryland County to another after June 1, 2017 will not be eligible to participate.
- Be certified by Commerce as a qualified business entity.
- Non-manufacturing businesses do **NOT include businesses that:** (i) provide adult entertainment, (ii) are primarily engaged in retail activities (except Grocery Stores), or (iii) are primarily engaged in the sale or distribution of alcoholic beverages.

PROGRAM ACTIVITY

The More Jobs for Marylanders statute requires Commerce report on the Qualified Business Entities that received Final Certification in the preceding fiscal year. During Fiscal Year 2019, zero businesses received Final Certification. The primary reason for this is that businesses have to meet the 5 or 10 job minimum and hold those positions for 12 months before they qualify for the credit. Businesses are currently applying for Final Certification for the jobs they added during the 6 month period in 2017 and during calendar year in 2018. These positions will be in place for 12 months during 2019 and the business will be able to claim the credit on its TY 2019 return. Commerce has currently received 5 applications for Final Certification that are in review. Commerce anticipates that businesses that have received an Initial Income Tax Credit Certification will submit their Final Application at the end of the calendar year when all positions will be in place for 12 months in order to claim the credits on their 2019 tax return.

Since the program's inception through FY 2019, Commerce received 186 NOIs from businesses that are either locating or expanding in Maryland and an additional 19 through the end of November 2019. Commerce enrolled 53 projects through the end of FY 2019 and an additional eight through the end of November 2019 for a total of 61 approved projects to date. Sixty projects represent manufacturers and one project represents a non-manufacturer expanding in an Opportunity Zone. Of the 61 approved projects, 38 are located in Tier 1 Counties and 23 in Tier 2 Counties. All but five are existing businesses. Enrolled projects are distributed across the State of Maryland in 21 counties.



Once a project is enrolled in the program, the business is certified as a Qualified Business Entity and may apply for the credits. The next step in the process is to apply for an Initial Income Tax Credit for the business's first benefit year. Of the 61 projects currently enrolled in the program, Commerce issued Initial Income Tax Credit certificates to 22 through the end of FY 2019 and an additional six through the end of November 2019 or 28 businesses total. Commerce has reserved \$1,950,884 of credits through the end of November for these businesses based on a projected 608 jobs to qualify in 2019.