

Legislative Report

A round-up of economic, employment and business legislation from Maryland's 2017 Legislative Session

The Administration entered into its third General Assembly session with a robust legislative package covering many topics. Among Governor Larry Hogan's priorities were job creation, improving the State's tax and business climate, promoting fiscal responsibility, and procurement reform. Legislators and the Administration worked in a bi-partisan way to pass procurement reform legislation as well as the centerpiece of the Governor's jobs initiative, the More Jobs for Marylanders Act of 2017. Some of the additional successful portions of the Governor's legislative package will be addressed in more detail below.

Baltimore City was a focal point of the session for the second straight year, this time during the budget negotiations. Facing a large budget shortfall for Baltimore City Public Schools, the Governor worked with Mayor Catherine Pugh and the General Assembly to provide additional state funding to the school system while implementing new fiscal accountability requirements for the system. Additionally, funds were provided for 10 counties that are also facing declining enrollment.

Administration Bills that Passed

Senate Bill 313/House Bill 410 - Economic Development - Maryland Energy Innovation Institute

Establishes the Maryland Energy Innovation Institute and the Maryland Energy Innovation Fund (MEIF). Requires a \$1.5M annual appropriation from FY 2018-22 to promote and coordinate energy research and education, and to develop and attract private investment in clean energy innovation and commercialization in Maryland. Alters the role of the Maryland Clean Energy Center (MCEC) and requires that MCEC establish a work plan to become self-sustaining within 5 years. Effective July 1, 2017.

Senate Bill 317 - More Jobs for Marylanders Act of 2017

Establishes the More Jobs for Marylanders Program within the Department of Commerce. New manufacturing businesses locating in a Tier 1 county may be entitled to a 10-year (1) income tax credit based on the number of jobs created; (2) State property tax exemption; (3) sales and use tax refund for specific purchases; and (4) corporate filing fee exemption. A Tier 1 county is defined as a Qualified Distressed County and up to 3 additional counties designated by Commerce. Additionally, existing manufacturing businesses located anywhere in the State will qualify for the 10-year income tax credit if they create 5 jobs in a Tier 1 county or 10 jobs in a Tier 2. Also allows manufacturing businesses throughout the entire state to claim increased expensing amounts under the State income tax by conforming State law to the maximum aggregate costs of expensing allowed under Section 179 of the Internal Revenue Code (IRC) and to claim any bonus depreciation amounts provided under Section 168(k) of the IRC. Also establishes an income tax credit for businesses that employ an eligible apprentice, and Workforce Development

Sequence Scholarships for eligible students who are enrolled on a job skills program at a community college. Requires that vocational goals be established for high school students, and requires State agencies to analyze and report on registered apprenticeship programs. Effective June 1, 2017.

Senate Bill 319 - Pathways in Technology Early College High (P-TECH) School Act of 2017

Alters the existing Pathways in Technology Early College High (P-TECH) School Program and establishes funding mechanisms for the program. Effective July 1, 2017.

Departmental Bills that Passed

Senate Bill 498 - Video Lottery Terminals - Small, Minority, and Women-Owned Businesses Account - Transfer of Authority

Transfers the administration of the Small, Minority, and Women-Owned Businesses Account from the Board of Public Works (BPW) to Commerce. Effective July 1, 2017.

House Bill 89 - Income Tax Credit - Security Clearances - Employer Costs - Extension

Extends the sunset on the Employer Security Clearance Costs Tax Credit Program from January 1, 2017 to January 1, 2022. The identical privately sponsored bills, Senate Bill 138/House Bill 873, passed. Effective July 1, 2017.

House Bill 94 - Maryland E-Innovation Initiative Program - Requirements for Matching Funds

Alters the requirements of matching donations under the Maryland E-Innovation Initiative Program to allow a nonprofit institution of higher education to use unrestricted institutional funds to meet the 90-day grant match requirement. Effective July 1, 2017.

House Bill 245 - Department of Commerce - Maryland Advisory Commission on Manufacturing Competitiveness - Renaming and Restructuring

Changes the name of the State's advisory commission to "Maryland Manufacturing Advisory Board" and alters the composition of the Board by reducing its membership from 25 to 19 members. Effective July 1, 2017.

Fiscal Year 2018 Budget

The FY 2018 Commerce Operating Budget, resulting from legislative actions, is \$123.9M.

Funding levels for selected Economic & Tourism Development Programs:

- Continued capitalization of the **MD Economic Development Assistance Authority and Fund (MEDAAF)** with \$13.9M of new General Funds. Total funding is \$20M.
- \$1M GF for the **Maryland Marketing Partnership (MMP)** – Continued funding for the public-private partnership that is creating a branding strategy for Maryland and marketing the State's assets to out of state businesses.
- \$1M in Funding for the **Partnership for Workforce Quality** – an important incumbent worker training program focused on manufacturers and technology companies
- Level funding of the **Biotechnology Investment Incentive Tax Credit Program** at \$12M.
- \$20M in **Sunny Day** funds for FY 2018-21 provide the required funding for the **Marriott HQ Relocation Project**.
- Level funding of the **Maryland Small Business Development Financing Authority** at \$6.3M.
- **Tourism Development** funding totals \$12.1M for the very successful statewide partnership programs.
- \$21M in GF for the **Maryland State Arts Council (MSAC)**. This represents a record level of state investment in Maryland's arts & cultural assets.

Business Climate

House Bill 1 - Labor and Employment - Maryland Healthy Working Families Act

Requires an employer with 15 employees or more to have a sick and safe leave policy under which an employee earns at least 1 hour of paid sick and safe leave for every 30 hours an employee works. Employers with fewer than 15 employees must have a sick and safe leave policy that provides an employee at least 1 hour of unpaid sick and safe leave for every 30 hours an employee works. Certain classifications of employees are exempt. Effective January 1, 2018.

House Bill 1283 - Alcoholic Beverages - Class 5 Brewery License

Alters the restrictions regarding a brewery's ability to serve, at no charge, samples of beer to individuals who participate

in a guided tour at the brewery. Allows the holder of a Class 5 brewery license to sell beer which was not brewed and fermented entirely on-premise for on-premise consumption if it meets specified restrictions. Increases from 500 to 2,000 the number of barrels of beer a Class 5 brewery may sell for on-premise consumption and allows for an additional 1,000 barrels to be sold for on-premise consumption if they are bought back from a licensed wholesaler. Sets restrictions on the retail hours of any brewery established after April 1, 2017. Effective July 1, 2017.

Key Economic Development Bills

Senate Bill 873 - Economic Development - Job Creation Tax Credit - Alteration

Alters the Job Creation Tax Credit program in several ways. Increases the value of the tax credit from \$1,000 to \$3,000 per eligible job created in a facility which is not located in a revitalization area, and from \$1,500 to \$5,000 per eligible job created in a revitalization area. Reduces the job creation threshold to 10 jobs in counties with average employment of less than 75,000 or a median household income that is less than two-thirds of the statewide median household income. Requires that each job that qualifies for the credit is paid at least 120% of the State minimum wage. Allows a business to claim the full value of the credit in one tax year, and limits the total amount of credits Commerce can award per year to \$4M. Strikes the provision that Commerce can require the information be certified by an independent CPA and requires Commerce to certify the credit amount and report additional information on each business. Effective July 1, 2017, and applies to all credits certified after December 31, 2017.

Senate Bill 200 - Income Tax Credit - Qualified Research and Development Expenses - Credit Amounts

Increases the amount of credits Commerce can approve under the Research and Development (R&D) Tax Credit from \$9M to \$12M in each calendar year. The amount of basic credits that can be awarded increase from \$4.5M to \$5.5M, and the amount of growth credits that can be awarded increase from \$4.5M to \$6.5M. Effective July 1, 2017, and applies to all R&D tax credits certified after December 15, 2016.

Senate Bill 226/House Bill 373 - Biotechnology Investment Tax Credit - Qualified Maryland Biotechnology Company - Definition

Expands the eligibility for the Biotechnology Investment Incentive Tax Credit by specifying that a Qualified Maryland Biotechnology Company (QMBC) is a company that has been in active business for a maximum of 12 years, 12 years from the date the company first received a qualified investment under the program, or 15 years if Commerce determines that the company needs additional time to complete the process of regulatory approval. Also specifies that a QMBC includes an entity that becomes duly organized and existing under the laws of any jurisdiction in

the State within 2 months of receiving a qualified investment and provides for recapture of the credit if the entity does not satisfy this requirement. Effective June 1, 2017, and applies to all initial tax credit certificates issued after June 30, 2017.

Senate Bill 465/House Bill 1517 - Maryland Nonprofit Development Center Program and Fund - Bridge Loans

Renames the Maryland Not-For-Profit Development Center as the Maryland Nonprofit Development Center. Beginning in FY 2021, requires up to 5% of video lottery terminal (VLT) proceeds from the Small, Minority, and Women-Owned Businesses Account (SMWOBA) not to exceed \$1M annually, to be distributed to the Nonprofit Interest-Free, Micro Bridge Loan (NIMBL) account within the Maryland Nonprofit Development Center Program Fund for bridge loans of up to \$25,000 to nonprofit entities that have received written confirmation of funding from government grants or contracts but have not yet received funding. Effective June 1, 2017.

Senate Bill 717/House Bill 1169 - Connecting Rural Maryland Act of 2017

Establishes the Task Force on Rural Internet, Broadband, Wireless and Cellular Service to make recommendations regarding how counties in Western Maryland, Southern Maryland, the Eastern Shore, and Frederick, Carroll, and Harford Counties can work together to obtain federal assistance to improve internet, broadband, wireless and cellular services and accessibility. The Task Force's report is due on or before November 30, 2017. Effective June 1, 2017.

Senate Bill 807/House Bill 349 - Income Tax Credit - Wages Paid to Qualified Veteran Employees (Hire Our Veterans Act of 2017)

Creates a State income tax credit for a small business that hires a qualified veteran employee. A small business may claim an income tax credit that may not exceed 30% of up to the first \$6,000 of wages paid to the qualified veteran employee during the first year of employment. A small business may not claim the credit for more than five qualified veteran employees in a taxable year, and a maximum of \$500,000 in credits may be issued annually. Effective July 1, 2017, and applies to tax years 2017 and beyond.

Senate Bill 1148/House Bill 1619 - Maryland Stadium Authority - Maryland Sports and Affiliated Foundations - Establishment

Authorizes the Maryland Stadium Authority (MSA) to establish one or more affiliated foundations to work with Maryland Sports, an existing office in MSA. Maryland Sports is codified and is encouraged to promote private fundraising by maintaining relationships with the foundations established under the bill. Effective October 1, 2017.

House Bill 1464 - Make Office Vacancies Extinct Program

Establishes the Make Office Vacancies Extinct (MOVE) program in Commerce to provide matching grants for office space to eligible businesses in conjunction with grants provided by eligible county programs. The MOVE Matching Fund is established to provide the matching grants and pay

for administrative costs, and is subject to an annual budget appropriation. Effective October 1, 2017.

Local Economic Development

Senate Bill 389/House Bill 302 - Kent County - Property Tax Credit - Commerce Zones

Authorizes Kent County to grant a property tax credit for property owned by a business that obtains new, improved, or expanded premises in a commerce zone for occupation by the business entity. Effective June 1, 2017.

Senate Bill 569/House Bill 649 - Charles County - Property Tax Credit - Priority Funding Areas

Authorizes Charles County to grant a property tax credit for property owned by a business entity that obtains new or expanded premises in a specified priority funding area. Effective June 1, 2017, and applies to taxable years beginning after June 30, 2017.

Senate Bill 930/House Bill 695 - Anne Arundel County - Property Tax - Payment in Lieu of Taxes Agreements - Economic Development Projects

Authorizes Anne Arundel County to exempt or partially exempt specified economic development projects from the county real and personal property tax. To qualify, the owner of the economic development and the county must enter into a payment in lieu of taxes (PILOT) agreement. Effective July 1, 2017.

House Bill 342 - Montgomery County - Property Tax Credit for Qualified Enterprise Zone Property - Extension MC 3-17

Alters one of the eligibility criteria for a local enterprise zone property tax credit in Montgomery County by extending the date by which improvements must be made on the property from January 1, 2020 to January 1, 2025. The property must be located in the area encompassed by the Burtonsville Crossroads Neighborhood Plan, and must be zoned for commercial or commercial/residential mixed use development. Effective July 1, 2017.

House Bill 1345 - National Capital Strategic Economic Development Fund

Establishes the National Capital Strategic Economic Development Fund within the Department of Housing and Community Development to provide grants to government agencies and nonprofit community development organizations to assist in predevelopment activities for commercial and residential development for revitalization in areas designated as sustainable communities. Predevelopment activities include site acquisition, land assembly, architecture and engineering, and site development. Effective July 1, 2017.

House Bill 1578 - Prince George's County - Property Tax Exemption for Economic Development Projects - Sunset Extension PG 407-17

Extends the authorization for Prince George's County to exempt by resolution specified economic development

projects located in designated focus areas from county real property taxes. The sunset provision is extended from June 30, 2017 to June 30, 2021. Effective June 1, 2017.

Key Bills that Failed

There has consistently been support for these measures in some form or another. We can expect to see continued support for them in the future, and as such they can be viewed as a precursor for what will be important issues both in the Interim and in the 2018 legislative session.

Senate Bill 318/House Bill 378 - Cybersecurity Investment Incentive Tax Credit - Eligibility and Sunset Extension

This Administration bill alters the Cybersecurity Investment Incentive Tax Credit (CIITC) to award the tax credit to the investor in a Qualified Maryland Cybersecurity Company (QMCC) rather than to the company. Extends the sunset on the tax credit from 2019 to 2023.

House Bill 161 - Department of Commerce - Maryland Economic Development Assistance Authority and Fund - Renaming and Restructuring

This Departmental bill renames and restructures the Maryland Economic Development Assistance Authority and Fund to be the Advantage Maryland Authority and Fund. Adds working capital as an eligible use of the fund and increases the financial assistance available for a project to \$10M.

House Bill 872 - Tax Credits - Enterprise Zones, RISE Zones, and Maryland Jobs Development Projects

This Departmental bill establishes the Maryland Jobs Development Tax Credit Program and phases out the Job Creation Tax Credit and the income tax credit under the Enterprise Zone program. The new program is a two-tiered income tax credit based on a percentage of wages.

Senate Bill 364/House Bill 1007 - One Maryland Economic Development Tax Credits - Business Incubators, Enterprise Zones, and Regional Institution Strategic Enterprise Zones

Expands the applicability of the One Maryland Tax Credit Program to include a business incubator that establishes or

expands in an Enterprise Zone or a RISE Zone, meets the number of qualified positions requirement by aggregating the positions created by businesses at the facility, and otherwise meets the credit's eligibility requirements.

Senate Bill 723 - Income Tax - Film Production Activity Tax Credit - Small or Independent Film Entities

Alters the Film Production Activity Tax Credit by requiring Commerce to reserve the first \$500,000 in tax credits in any fiscal year in which there is an appropriation more than that amount for qualified small or independent film entities.

Senate Bill 796 - Economic Development - County Economic Development Tax Incentives Program and One Maryland

Establishes the County Economic Development Tax Incentives Program in specified counties of the State. A qualified business that locates or expands in nine rural counties or Baltimore City is eligible for 10 years of property, income, and sales tax benefits. Changes the definition of Qualified Distressed County (QDC) under the One Maryland Tax Credit Program to make a county permanently ineligible if it becomes ineligible at any time.

Senate Bill 999/House Bill 1443 - Natalie M. LaPrade Medical Cannabis Commission Reform Act

Repeals and reconstitutes the membership of the Natalie M. LaPrade Medical Cannabis Commission and requires extensive outreach to encourage industry participation by small, minority, and women business owners. Requires the Maryland Department of Transportation to conduct a disparity study by July 1, 2017, implement a new Small Medical Cannabis Enterprise Program, and establish a new process for certification by May 15, 2017. Increases the cap on grower and processor licenses to 20. Establishes a new special fund to provide free or discounted medical cannabis to specified individuals.

For more information please contact the Department's Office of Policy, Research and Government Affairs at 410-767-6312.

