

DIVISION OF FINANCE
MORE JOBS FOR MARYLANDERS PROGRAM

ANNUAL STATUS REPORT
FISCAL YEAR 2018
TAX-GENERAL ARTICLE

SECTION 6-809

Submitted by:

Maryland Department of Commerce

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STATUS REPORT MORE JOBS FOR MARYLANDERS FISCAL YEAR 2018

PROGRAM OVERVIEW

Maryland's More Jobs for Marylanders program provides tax incentives to manufacturing businesses that locate or expand their manufacturing operations in Maryland. The program was enacted during the 2017 legislative session of the Maryland General Assembly (Chapter 149) to offer incentives and encourage manufactures to create jobs in areas of Maryland that need jobs the most. This program benefits enrolled manufacturers by providing tax incentives tied to job creation for a 10-year period.

1. New businesses in Tier 1 Counties receive a refundable State income tax credit (5.75% of the wage per new position); State Property Tax Credit (\$0.112 per \$100 assessed); refund of Sales and Use Tax; and waiver of SDAT fees for the creation of 5 or more new jobs.
2. Existing businesses in Tier 1 and Tier 2 Counties receive a refundable State income tax credit of 5.75% of the wage per new position, for the creation of 5 new jobs and 10 new jobs, respectively.

Changes were made to the definition of a Tier 1 County during the 2018 legislative session. Beginning July 1, 2018, Tier 1 Counties include Baltimore City and Allegany, Caroline, Dorchester, Garrett, Kent, Somerset, Washington, Wicomico and Worcester Counties. Tier 2 counties that have been promoted for Tier 1 benefits, per Commerce Secretary's approval authority to designate three counties, are Baltimore, Cecil and Prince George's Counties. All other counties are considered Tier 2 counties.

Qualifications

- ✓ 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 postsecondary education program (e.g. tuition reimbursement).
- ✓ A new manufacturer must notify Commerce of its intent to be designated eligible before it establishes a facility in the state.
- ✓ An existing manufacturer must notify Commerce of its intent to be designated eligible for the program incentives before it creates new jobs.
- ✓ New or existing manufacturers in Tier 1 counties must create at least 5 new qualified jobs. (A qualified job is a job that is full-time, pays at least 120% of State minimum wage and is filled for 12 months.)
- ✓ Existing manufacturers in Tier 2 counties must create at least 10 new qualified jobs.
- ✓ The business must begin creating the new jobs within 12 months of its intent date and meet the minimum job threshold (5 or 10 jobs) within 12 months of its first hire.
- ✓ Be certified by Commerce as a Qualified Business Entity.

- ✓ Businesses that move from one Maryland County to another after June 1, 2017 do not qualify.

Application Process

To participate in the program, a business must submit a Notice of Intent (NOI) to Commerce. When Commerce receives the NOI, it will provide the business with an information packet including an application to enroll its project in the MJM program. A company must enroll its project in the program and be certified by Commerce as a Qualified Business Entity with a defined benefit period in order to apply for the incentives available to it. Commerce may not certify any business as a Qualified Business Entity after June 1, 2020.

Qualified Business Entities are eligible to apply for the incentives available to them. Both new and existing businesses that are certified as Qualified Business Entities were able to apply for an Initial Tax Credit certificate for the income tax credit beginning July 1, 2018. Commerce may not certify more than \$9 million in Initial Tax Credit Certificates in a fiscal year. Qualified Business Entities that have been issued an Initial Tax Credit Certificate may apply for a Final Tax Credit Certificate when the jobs they created have been filled for 12 months. The business is entitled to a 10 year income tax credit benefit, subject to the annual budget appropriation. If the number of jobs at the eligible project decreases to a number less than the number established in the first benefit year, the business may no longer receive any income tax credit benefits.

New manufacturers that are certified as qualified business entities may also apply for a Sales and Use Tax refund beginning January 1, 2019 for the amount of sales and use taxes paid during the preceding calendar year during the 10 year benefit period. Commerce may not issue more than \$1 million in Sales and Use refunds. New manufacturers are also eligible for 100% state real property tax credit and waiver of SDAT fees during its benefit period.

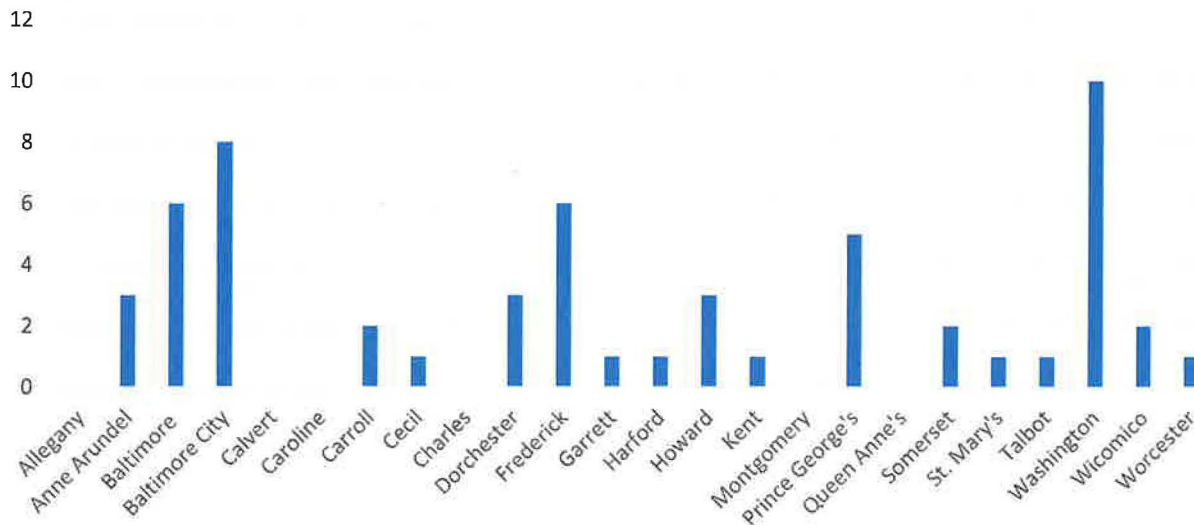
FY 2018 Activity

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 2018, zero businesses received Final Certification. There were two reasons for this: 1) the program was funded for the first time July 1, 2018, and 2) the jobs have to be in place for 12 months to qualify for credits, therefore, the earliest that a business will qualify for Final Certification will be FY 2019.

Since the program's inception through FY 2018, Commerce received 123 NOIs from businesses that are either locating or expanding in Maryland and an additional 26 through the end of October 2018. Of the companies that have submitted NOIs, 45 submitted enrollment applications by the end of FY 2018 and an additional 12 through the end of October 2018. To date, Commerce has certified 39 of the applicants as Qualified Business Entities that are now eligible to apply for applicable incentives. The remaining applications are in review or on hold pending the receipt of additional information.

Businesses that have applied to enroll their project in the MJM program are mostly existing Maryland manufactures. Only seven of the applicants are new manufacturers to Maryland locating in a Tier 1 County. The applicants have facilities in 18 counties. The chart below shows the number of applicants by County.

More Jobs for Marylanders Project Enrollment Applicants by County



Based on the job projections provided by businesses submitting enrollment applications, Commerce projects businesses will apply for \$2.5 million in Initial Income Tax Credits against the MJM reserve fund in FY 2019 and a projected \$4.13 million in FY 2020. The businesses project to create 931 new jobs in FY 2019. These projections just represent the businesses that have thus far submitted enrollment applications. Commerce anticipates that additional businesses that submitted NOIs will continue with the process and enroll their project in the program. While Commerce does not have complete job and wage data for those companies, it estimates that this could result in an additional \$1.5 million in Initial Tax Credits in FY 2019. Since the program was enacted, Commerce has actively marketed the incentive to encourage existing manufacturers to expand and new manufactures to open or relocate their manufacturing operations to Maryland. As of July 1, 2018, Commerce had 85 projects identified involving manufacturing. While not all of these projects will materialize, they are potential for future demand of the program.