

Department of Legislative Services  
Maryland General Assembly  
2020 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 525 (Delegate Stewart, *et al.*)  
Ways and Means and Appropriations

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Phase Out Company Giveaways Act

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This bill establishes the Interstate Compact to Phase Out Company Giveaways. The compact is entered into with any other state or the District of Columbia legally enacting the compact in a substantially similar form. Except for limited exclusions, each member state and local governments in each member state are prohibited from offering or providing any company giveaways as an inducement to relocate company facilities to the member state. A member state may withdraw from the compact with six months written notice. The compact also establishes a national board comprising appointees from both member and nonmember states to publish suggested revisions and improvements to the compact.

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Fiscal Summary

**State Effect:** General and/or special fund expenditures decrease to the extent that the compact is entered into with at least one other state and the bill prohibits State incentives from being provided for companies to relocate to the State. The amount, if any, cannot be reliably estimated at this time but could be significant. Other administrative costs associated with the bill are assumed to be minimal and absorbable within existing budgeted resources. Revenues are not directly affected.

**Local Effect:** Local expenditures decrease to the extent that the compact is entered into with at least one other state, and the bill prohibits local incentives from being provided for companies to relocate to the State. The amount, if any, cannot be reliably estimated at this time but could be significant. Revenues are not directly affected.

**Small Business Effect:** None; the bill affects out-of-state businesses.

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## Analysis

### Bill Summary:

#### *The Compact – Generally*

The bill includes a statement that member states find that company giveaways are among the least effective uses of taxpayer dollars to create and maintain jobs and that a reasonable first step in phasing out company giveaways is an anti-poaching agreement among member states prohibiting company giveaways as an inducement for entities to relocate existing company facilities. Other related findings are also specified. Accordingly, each member state is prohibited from offering or providing any company giveaways as an inducement to relocate company facilities to the member state. Company giveaways are any company- or industry-specific grant or tax incentive, as those terms are defined. There are two exclusions:

- workforce development grants that are used to train employees; and
- state and local company giveaways to companies with company facilities located within the state or local jurisdiction.

The chief law enforcement officer of each member state must enforce the compact. A resident of a member state who pays taxes has standing in the courts of any member state to require enforcement.

#### *National Board*

A national board comprising appointees from both member and nonmember states is established to publish suggested revisions and improvements to the compact. The board must:

- convene at least annually;
- elect officers from its members;
- establish rules and procedures for its governance; and
- publish a report annually in December that includes suggested revisions and improvements to the compact.

The board must also collect testimony from all interested parties, including organizations and associations representing state and local legislators, taxpayers, and subject matter experts, on how the compact can be improved and strengthened.

**Current Law/Background:** State and local governments are not prohibited from offering incentives to out-of-state businesses to relocate in Maryland. In fact, attracting out-of-state businesses is a common occurrence and part of the Department of Commerce's core mission as reflected in the department's annual reports and organizational structure. Local governments also frequently offer incentives, such as property tax credits. A recent notable example was the combined State and local incentives offered to Amazon to locate its second headquarters in Montgomery County, although that attempt was ultimately unsuccessful.

Neither Commerce nor the Department of Legislative Services is aware of another state that has enacted legislation substantially similar to the bill, although several states have introduced legislation, including Arizona, Florida, Illinois, New York, and West Virginia.

**Additional Comments:** Commerce notes that the bill's exclusion for incentives offered to businesses with an existing presence in the State means that incentives may still be offered to companies such as Amazon, T. Rowe Price, and Northrop Grumman, among others.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Montgomery County; Maryland Association of Counties; Department of Commerce; Department of Legislative Services

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