

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1086
Ways and Means

(Delegate Kaiser)

Budget and Taxation

Maryland Tax Credit Evaluation Act – Alterations

This bill expands the scope of the Tax Credit Evaluation Act to include tax exemptions and preferences and alters certain procedures under the Act. **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: The Department of Legislative Services (DLS) and State agencies that administer tax credits can implement the bill with existing resources. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill alters the Tax Credit Evaluation Act, which established a legislative process providing for the review of State tax credits, by eliminating the Tax Credit Evaluation Committee. DLS must evaluate a tax credit, exemption, or preference on request from the Senate Budget and Taxation Committee, the House Ways and Means Committee, the Executive Director of DLS, or the Director of the Office of Policy Analysis of DLS. For each evaluation conducted, DLS must include specified information and report its findings to the General Assembly. DLS must also (1) beginning on October 1, 2022, evaluate at least once every 10 years each income tax credit that is primarily claimed by businesses and has an annual fiscal impact exceeding \$5.0 million and (2) in consultation with the Senate Budget and Taxation Committee and the House Ways and Means Committee, publish on its website a schedule of the evaluations that will be conducted.

Within one year after the enactment of a State income tax credit, a unit of State government must report to the Senate Budget and Taxation Committee and the House Ways and Means Committee the measures that have been taken to implement the tax credit.

Current Law: Chapters 568 and 569 of 2012 established the Tax Credit Evaluation Act, a legislative process for evaluating certain tax credits. The evaluation process is conducted by a legislative evaluation committee and must be done in consultation with the Comptroller's Office, the Department of Budget and Management, DLS, and the agency that administers each tax credit. The committee is appointed jointly by the President of the Senate and the Speaker of the House of Delegates and must include at least one member of the Senate Budget and Taxation Committee and one member of the House Ways and Means Committee. Chapter 582 of 2016 subsequently amended the requirements of the committee and evaluation process.

The Act required the evaluation committee to evaluate specified tax credits by July 1 of each year. In the year prior to the required evaluation date, DLS must publish an evaluation of a tax credit by November 15, and the evaluation committee must hold a public hearing on the evaluation report by December 31. A tax credit designated for evaluation under the Tax Credit Evaluation Act is subject to reevaluation after seven years.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Department of Legislative Services

Fiscal Note History: First Reader - February 23, 2021
rh/jrb Third Reader - March 22, 2021
Revised - Amendment(s) - March 22, 2021

Analysis by: Robert J. Rehrmann

Direct Inquiries to:

(410) 946-5510

(301) 970-5510