

**Department of Legislative Services**  
Maryland General Assembly  
2021 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 306

(Chair, Budget and Taxation Committee)(By Request -  
Departmental - Assessments and Taxation)

Budget and Taxation

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**Enterprise Zones - Reimbursements to Local Governments - Request Deadline  
and Recovery of Overpayment**

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This departmental bill requires a county or municipality to submit a reimbursement request to the State Department of Assessments and Taxation (SDAT) by May 1 in order to receive a State reimbursement for local property tax credits provided under the Enterprise Zone Tax Credit Program. Failure to meet this deadline will preclude the local government from receiving a reimbursement for that year. The bill also enables the State to recoup overpayments made to local governments in prior years.

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**Fiscal Summary**

**State Effect:** None. The bill clarifies State law with regards to reimbursements for the Enterprise Zone property tax credits.

**Local Effect:** None.

**Small Business Effect:** SDAT has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

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**Analysis**

**Current Law/Background:** The Enterprise Zone Tax Credit Program is intended to encourage economic growth within economically distressed areas of the State and to increase employment of the chronically unemployed. Businesses located within a Maryland enterprise zone are eligible for local property tax credits and State income tax

credits. Real property tax credits are 10-year credits against local real property taxes on a portion of the qualifying real property improvements in the enterprise zone. The credit is applied to the tax imposed on 80% of the eligible assessment during the first 5 years and decreases by 10% annually to 30% in the final year. During the course of the property tax credit period, SDAT is responsible for reimbursing local governments for 50% of the property tax revenue lost as a result of the credit. SDAT is required to keep track of each property that has been certified by the local enterprise zone administrator and notify each local jurisdiction of its property tax credit obligation.

As of December 2020, a total of 36 enterprise zones are located in 17 counties and Baltimore City. The Baltimore City enterprise zone is the largest zone and recently accounted for about 75% of all property tax credits. In fiscal 2021, State reimbursements to local governments for property tax credits under the program totaled \$26.2 million, with Baltimore City receiving \$19.7 million.

**State and Local Fiscal Effect:** Establishing a May 1 deadline for reimbursement requests will assure timely reimbursements for local property tax credits and will eliminate the possible costly back-year reimbursements in cases when local governments fail to submit a timely reimbursement request. Under current law, the State is required to reimburse local governments for 50% of the real property taxes owed by accounts that receive an Enterprise Zone tax credit. Current law does not preclude a local government from submitting a request for back year reimbursements. According to SDAT, jurisdictions are currently able to request payment for unpaid reimbursements from prior years. Under the bill, local governments will be required to file timely reimbursement requests in order to receive a State reimbursement. According to SDAT, there has not been an occasion in which a local government has sought a reimbursement for a prior year property tax payment. As a result, the bill is not expected to affect State or local finances.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** State Department of Assessments and Taxation; Department of Legislative Services

**Fiscal Note History:** First Reader - January 25, 2021  
rh/hlb

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## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

**TITLE OF BILL: Enterprise Zones – Reimbursements to Local Governments – Request Deadline and Recovery of Overpayment**

**BILL NUMBER: SB 306**

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### PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

X  WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

### PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will affect local government if a reimbursement request was submitted for prior years.