

Department of Legislative Services  
Maryland General Assembly  
2021 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

House Bill 278  
Ways and Means

(Delegate Feldmark, *et al.*)

Budget and Taxation

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Economic Development - Job Creation Tax Credit - Qualified Position and  
Revitalization Area

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This bill alters the definition of “qualified position” and “revitalization area” for purposes of eligibility under the Job Creation Tax Credit Program. The required number of qualified positions and other program criteria are otherwise unchanged. **The bill takes effect July 1, 2021, and applies to job creation tax credits certified after December 31, 2020.**

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Fiscal Summary

**State Effect:** Altering the eligibility requirements of the tax credit is not expected to change the fiscal impact of the program beyond that provided under current law.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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Analysis

**Bill Summary:** A qualified position that is filled after September 30, 2020, must pay at least:

- for an employee classification for which there is a prevailing wage rate, the prevailing wage; or
- for any other employee classification, 150% of the State minimum wage.

Additionally, a qualified position (1) provides career advancement training; (2) affords the employee the right to collectively bargain for wages and benefits; (3) provides paid leave;

(4) is considered covered employment for purposes of unemployment insurance benefits; (5) entitles the employee to workers' compensation benefits; (6) offers employer-provided health insurance benefits with monthly premiums that do not exceed 8.5% of the employee's net monthly earnings; and (7) offers retirement benefits.

Under current law, a revitalization area includes (1) state enterprise zones; (2) federal empowerment zones; and (3) sustainable communities as designated by the Department of Housing and Community Development. The bill specifies that a revitalization area includes a Tier I county.

### **Current Law:**

#### *Job Creation Tax Credit*

The job creation tax credit provides a tax credit to businesses that expand or establish a facility in Maryland that results in the creation of new jobs. Businesses must be primarily engaged in a qualifying business activity. The new jobs must be full-time, permanent, filled, located in Maryland, and pay at least 120% of the State minimum wage. A business must notify the Department of Commerce of its intent to seek certification before hiring employees. A final application can be submitted to Commerce after a minimum number of jobs have been created and the jobs have been filled for at least 12 months.

An eligible business must create within a 24-month period at least 60 jobs. The job creation threshold is reduced to 25 or 10 in specified circumstances. The credit is equal to \$3,000 for each new job. Enhanced credits can be claimed if the jobs are created within a revitalization area or federal opportunity zone.

Commerce can issue in each year a maximum of \$1.0 million in tax credits to a single taxpayer and a total of \$4.0 million in tax credits on a first-come, first-served basis.

#### *Tier I Counties*

Tier I counties are counties that qualify under income or unemployment standards for certain Commerce programs, including the More Jobs for Marylanders Program and the One Maryland Program.

#### *Prevailing Wage Law*

Contractors and subcontractors working on eligible public works projects in Maryland must pay their employees the prevailing wage rate, subject to various specified conditions and exclusions.

**State Fiscal Effect:** The bill alters the requirements of the job creation tax credit beginning with tax year 2021. This is not expected to alter the overall fiscal impact of the tax credit program as Commerce typically awards in each tax year the maximum amount of authorized tax credits.

**Small Business Impact:** A limited number of small businesses currently meet the program's existing requirements and receive tax credits. The bill may make some existing businesses ineligible and reallocate tax credits to other qualifying businesses.

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### **Additional Information**

**Prior Introductions:** HB 1089 of 2020 received a hearing in the House Ways and Means Committee, but no further action was taken.

**Designated Cross File:** None.

**Information Source(s):** Department of Commerce; Department of Legislative Services

**Fiscal Note History:** First Reader - January 12, 2021  
rh/jrb Third Reader - March 22, 2021  
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