



LEGISLATIVE POSITION:

Unfavorable

House Bill 45

Economic Development - Opportunity Zone Incentives - Alteration of the More Jobs for Marylanders and Opportunity Zone Enhancement Programs

House Ways and Means Committee

Tuesday, January 28, 2020

Dear Chairwoman Kaiser and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 4,500 members and federated partners, and we work to develop and promote strong public policy that ensures sustained economic growth for Maryland businesses, employees and families. Part of that work includes support for sustainable solutions that drive Maryland's future economy, including education, talent pipeline, innovation and economic diversity.

HB 45 alters the Opportunity Zone Enhancement Program by (1) limiting the enhanced tax benefits available under the program to certain tax years; (2) restricting eligibility for the enhanced benefits under the biotechnology investment incentive and cybersecurity investment incentive tax credit programs to investments made in a company that is established or expands into an Opportunity Zone on or after March 1, 2018; (3) requiring businesses in a county with a minimum wage that exceeds the state minimum wage to pay the greater of 120% of the state or county minimum wage; and (4) altering certain application and reporting requirements.

The U.S. Treasury established 149 Opportunity Zones in Maryland as a result of the 2017 Tax Cuts and Jobs Act. This program is designed to provide federal tax incentives for investment in distressed communities over the next 10 years. More than one-third of the established Opportunity Zones in Maryland are in Prince George's County and Baltimore City.

If enacted, HB 45 will impose cumbersome reporting requirements for businesses investing and locating within an Opportunity Zone and will further disincentivize economic development by requiring a company located within an Opportunity Zone to pay the greater of 120% of the state or county minimum wage. Additionally, the shifting program eligibility requirements will create winners and losers among those who have already made the choice to locate within an Opportunity Zone, as some small businesses will experience a reduction or elimination of benefits by no longer being eligible for the credits.

The Maryland Chamber of Commerce supports any effort to incentivize or maintain business development in our state, particularly in those areas most challenged for investment. In the Maryland Department of Commerce's FY 18 annual report, they expected over 900 new jobs to be added in Maryland as a result of the Opportunity Zone program. Furthermore, the independent Department of Legislative Services cited HB 45 as having a meaningful impact on

small business while saying that any increase in state revenue as a result of the programmatic changes is “not expected to be significant.”

Due to new burdensome reporting requirements, creating competitive disadvantage as a result of an increased minimum wage requirement, and changing program eligibility requirements leading to the loss of credits for current businesses, the Maryland Chamber of Commerce respectfully requests an **Unfavorable Report** on **HB 45**.

