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**HB 278 – Economic Development – Job Creation Tax Credit – Qualified Position
Senate Budget and Taxation Committee
March 25, 2021**

SUPPORT

**Donna S. Edwards
President
Maryland State and DC AFL-CIO**

Chairman and members of the Committee, thank you for the opportunity to provide testimony in support of HB 278 – Economic Development – Job Creation Tax Credit – Qualified Position. My name is Donna Edwards, President of the Maryland State and DC, AFL-CIO. On behalf of the 340,000 union members in the state of Maryland, I offer the following comments.

Businesses should be free to hire whomever they want and provide them with a salary and benefits commensurate with the law, and when businesses ask for taxpayers' money, Maryland Legislators should be free to decide that those tax dollars are giving us the highest return on our investment by creating family-sustaining jobs.

The Maryland taxpayer is an investor in businesses throughout the State. Through robust tax credits and exemptions, we support businesses with our tax dollars, deferring their costs and saddling workers with picking up some of the tab. And, like any investor, we expect a return on our investment. In the case of the Job Creation Tax Credit program, our expected return is the creation of good jobs. As it is currently structured, the Credit has only a few requirements: A qualified position must pay at least 120% of minimum wage - \$14.10/hour or \$22,560/year for a full time job – it must be located in the State, and it must be a newly created position as a result of expansion or the establishment of a business in Maryland.

This is not enough for us, as investors. If the intent of this Credit is to create good jobs with benefits, we have missed the mark. HB 278 corrects this by applying real requirements for these new jobs, creating a pathway for good jobs. Borrowing from the Clean Energy Jobs Act passed in the 2019 Session, HB 278 amends the definition of a “qualified position” to include: Career Advancement, the right to Collectively Bargain, Paid Leave, Unemployment Insurance and Workers' Compensation verification, Health Insurance, and Retirement Benefits. Additionally, it

increases the salary qualification from 120% to 150% of minimum wage, or if in the construction industry, it applies Prevailing Wage.

Our business tax credits should reflect our values. We should not be simply giving money away without demanding certain criteria are met. No other investor in a business operates this way, and neither should the State of Maryland. If we are committed to using Job Creation Tax Credit policy to strengthen and build our middle class, then it is imperative that we set a higher standard for businesses to access these resources. If we do not, then workers – the investors – are paying taxes to create low-quality jobs for other workers.

Businesses have every right to make hiring and salary decisions that they deem best for their business, and Maryland Legislators have every right to demand that any Job Creation Tax Credit dollars that businesses receive creates family-sustaining jobs and produces a good return on taxpayers' investments.

For these reasons, we urge a favorable report on HB 278.

HB 278_JCTC_LOI_Senate.pdf

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Position: INFO



Larry Hogan | Governor
Boyd Rutherford | Lt. Governor
Kelly M. Schulz | Secretary of Commerce

DATE: March 25, 2021
BILL NO: House Bill 278
BILL TITLE: Economic Development – Job Creation Tax Credit – Qualified Position
COMMITTEE: Senate Budget & Taxation

Statement of Information

Bill Summary

HB 278 changes the definition of a “qualified position” for the Job Creation Tax Credit (JCTC) for a position filled on or after October 1, 2021. The bill increases the wage requirement from 120% to 150% of the State minimum wage. A new provision would use the prevailing wage rate if the employee job classification has one.

In addition to the wage requirement there are several new requirements for a qualified position:

- Must provide career advancement training
- Affords collective bargaining rights on wages and benefits
- Provides paid leave
- Is covered for unemployment insurance benefits
- Entitles to workers’ compensation benefits
- Offers employer-provided health insurance with monthly premiums that do not exceed 8.5% of the employee’s net monthly earnings
- Offers retirement benefits

HB 278 also adds Tier 1 counties to the list of areas defined as Revitalization Areas for the purposes of qualifying for an enhanced tax credit.

JCTC Program Background

JCTC helps Maryland be more cost-competitive versus other states.

Maryland generally has higher costs of doing business than our regional competitor states. Depending on the type of business and the state in question, higher costs could be attributed to real estate, wages, energy, taxes, or some combination thereof. Having the JCTC helps mitigate some of the cost disadvantages versus the other states, which encourages the business to look at the opportunity to invest in Maryland more positively and provide a greater chance for a favorable decision.

- As a small state bordering four other states, Maryland must always remain aware of the regional competition. All four neighboring states (Virginia, West Virginia, Pennsylvania, Delaware) have a similar tax credit for new job creation, but none have the requirements proposed in this bill. Imposing tighter restrictions to qualify for Maryland’s credit will put Maryland at a competitive disadvantage.
- Large businesses that have received the credit likely already offer the benefits included in the proposed definition of a Qualified position. Going forward these businesses are less likely to be affected by this bill, except for documentation and compliance requirements. The businesses more likely to be affected are the smaller businesses. They are less likely to offer many of these benefits, and therefore will not qualify for the credit.

- In addition to generally hurting small businesses more than large businesses, the impact is likely to be felt more so in rural counties and Baltimore City versus counties of greater population. In 17 of Maryland's 24 jurisdictions – those with less than 75,000 jobs or a median household income less than two-thirds of the state median – the job creation requirement is only 10 jobs. In the other seven jurisdictions the requirement is 25 jobs if in a Priority Funding Area, or 60 jobs if not in a PFA.
- The lower job creation threshold in the rural counties and Baltimore City currently gives small businesses in these jurisdictions an advantage to qualify for JCTC – they can get the credit even though they create fewer jobs. But these proposed changes could cause that advantage to disappear for many small businesses in these jurisdictions if they can't afford the additional requirements such as offering retirement benefits or career advancement training.
- *Projects in certain industries may be priced out of the Credit because of the increased wage requirement, even when they pay a competitive wage for their industry.*
The higher wage requirement (150% of state minimum) will disqualify certain projects that pay more modest wage rates. Some warehouse and distribution projects, for example, will not offer a wage of \$20/hour, which roughly equates to 150% of the minimum wage in 2023. While the number of such projects today is likely small, the phased-in increase in the state minimum wage through 2025 combined with the requirement increasing the wage from 120% to 150% of the State minimum will render certain projects ineligible for JCTC.

Maryland has an economy with many good, high-paying jobs. That's why we're first among states in median household income. A lot of these are in the technology sectors – information technology, cybersecurity, biotechnology and aerospace. But there is still a need in the market to incentivize lower-skilled jobs paying \$15 to \$20 an hour. Creating jobs like these at, for example, a distribution center enables a lower-skilled worker to advance from a job in retail (such as a restaurant or a convenience store) paying minimum wage to a better paying job with a more stable employment outlook. Of 69 projects for which certificates were issued since 2016, 14 projects are in the distribution and transportation industries, representing about one-half of the jobs created.

The Maryland Job Creation Tax Credit has been an important tool in the economic development toolbox since 1996. With many other states having a similar credit, including all our neighboring competitor states, Maryland needs to keep this credit as a meaningful incentive when competing against these states for job-creating projects. Business costs in Maryland are comparatively high, and this credit helps keep Maryland cost competitive.