
Geographically Targeted Incentives in Maryland

**Presentation to the
Roundtable on Evaluating Economic Development Tax Incentives**

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

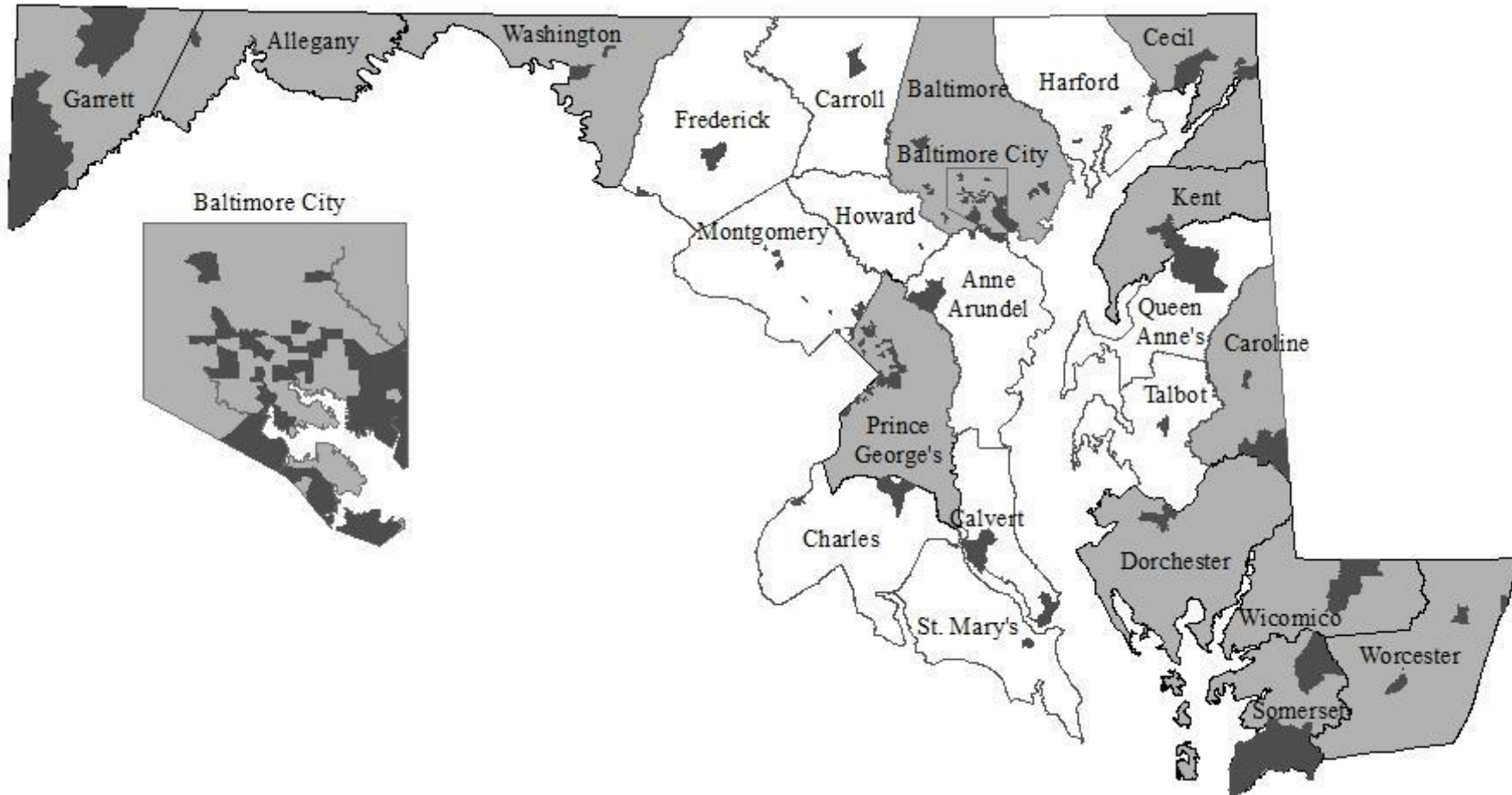
October 24, 2019

Overview of Programs

- **Zone-Based:**
 - Enterprise Zone
 - Regional Institution Strategic Enterprise (RISE) Zone Program
 - Base Realignment and Closure (BRAC)
- **County/Hybrid:**
 - One Maryland
 - More Jobs for Marylanders
 - Businesses that Create New Jobs
- **Secondary Geographic Objective:**
 - Job Creation Tax Credit
 - Biotechnology Investment Incentive
 - Cybersecurity Investment Incentive
- **Enhancement of Federal Program:**
 - Opportunity Zone Enhancement Program

More Jobs for Marylanders

Tier 1 Eligibility



Common Evaluation Findings

- Geography can shape the evaluation process
- Incentives often do not achieve objective(s)
- Poorly designed eligibility criteria
- Programs may be less focused over time
- Duplicative programs / lack of coordination

Multiple Programs and Incentives

- Targeted incentives are not coordinated and provide different incentives to achieve similar objectives.
- Incentives may also vary within the same geographies.
- Recent Federal Opportunity Zone Enhancement Program provides additional incentives:

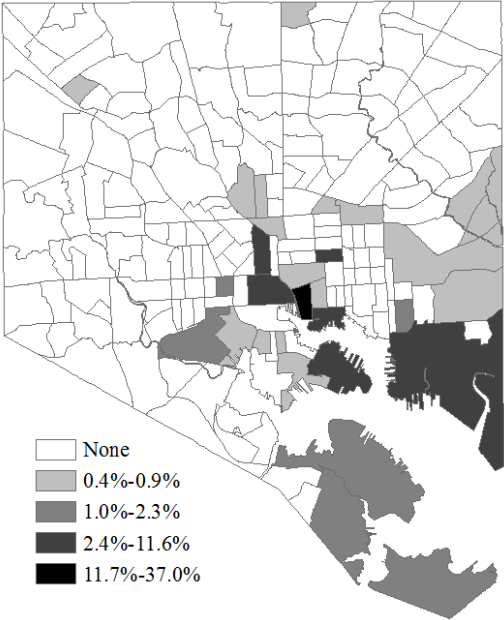
The bill provides enhanced incentives to specified tax credits within areas that are currently designated as a federal opportunity zone under Section 1400Z-1 of the Internal Revenue Code. These enhanced incentives (Level 1) are in addition to the standard credit provided under each program and in certain circumstances in addition to the enhanced additional credit available under each program. In addition, the program provides an additional enhancement (Level 2) beyond the enhanced credit.

Programs and Incentives(Cont.)

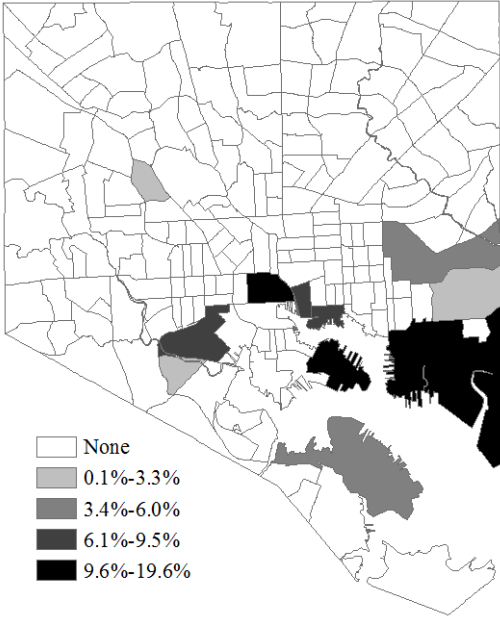
Program	Credit %	Credit Base	Years Awarded	Max Credit Per Job	Maximum Credit	Refund	Investment	Jobs
Job Creation	2.5%-5.0%	Wages	1	\$1,000-\$1,500	\$1,000,000	No	None	25-60
Businesses/New Jobs:								
Standard Credit	40%-80%	Local property tax assessed on business facility/ Personal Property ¹	6	None	None	No	5,000 ft ²	10-25
Enhanced	90%		24	None	None	No	250,000 ft ²	1,250 (new jobs) or retain 2,500+500 new
Montgomery County	90%		24	None	None	No	700,000ft ² / \$150,000,000	Employ 1,100 including 500 new
One Maryland	100%	Start-up & project costs	1	\$10,000	\$5,500,000	Certain projects ²	\$500,000	25
Enterprise Zone:								
Property	30%-80%	Local property tax assessed on capital improvements	10	N/A	None	N/A	Local standards may establish minimum job creation and capital investment thresholds ³	
Employment	N/A	Per Employee	1	\$1,000-\$1,500	None	No		
Employment – Targeted	N/A	Per Employee	3	\$1,000-\$4,500	None	No		
AEDC project	N/A	Per Employee	5	\$250	7,500,000 ⁴	Yes		\$25,000,000

How Focused are the Programs?

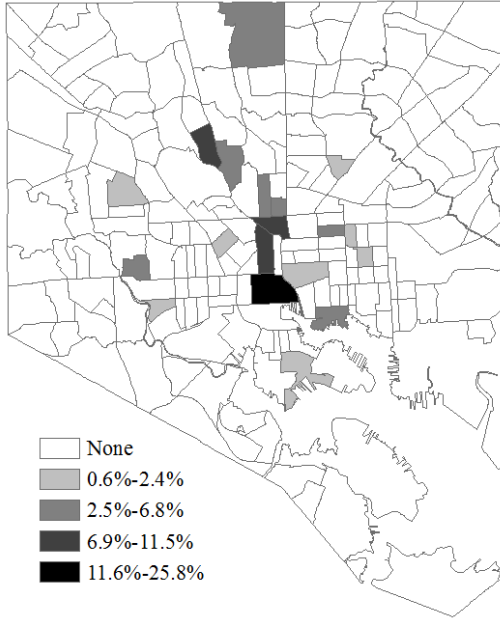
Enterprise Zone



One Maryland



Historic Revitalization-Commercial

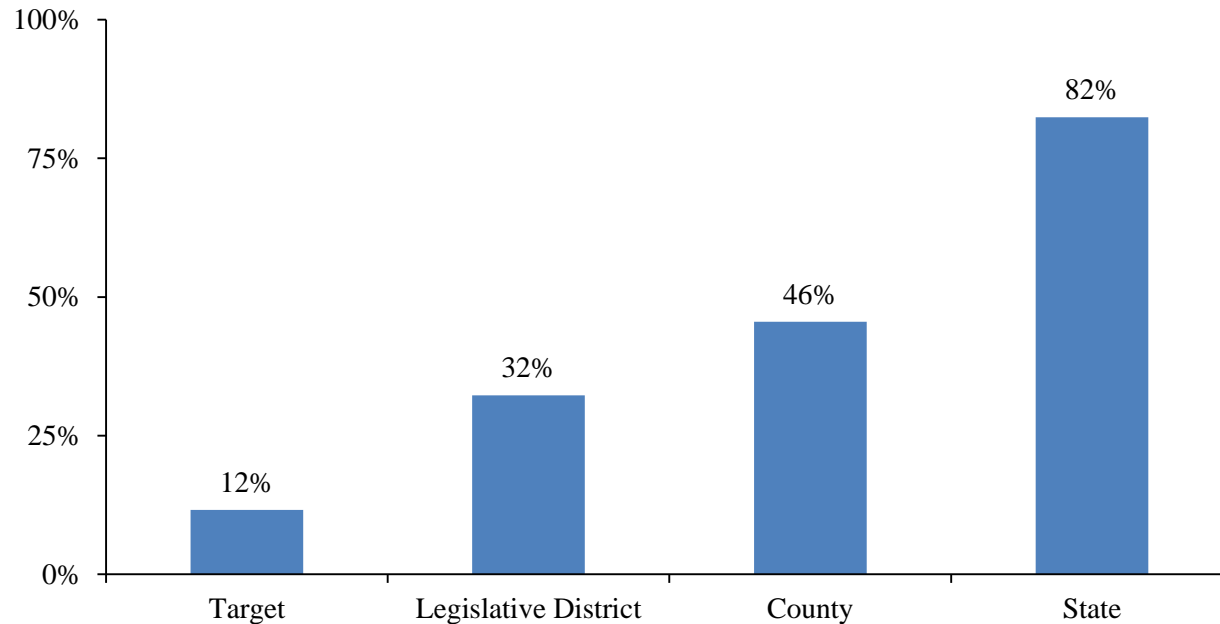


Targeted Programs: Much Less Likely within Distressed Areas

<u>Demographic Indicators</u>	Historic Revitalization				
	<u>Residential</u>	<u>Commercial</u>	<u>Enterprise Zone</u>	<u>One Maryland</u>	<u>City Average</u>
Socio-economic					
% Non-White	37.9%	60.0%	53.0%	38.0%	72.1%
% with at least Bachelor's	62.8%	40.9%	34.4%	48.3%	25.6%
Poverty Rate	16.5%	28.4%	22.5%	19.8%	24.6%
Household Income	\$80,100	\$35,500	\$44,800	\$48,400	\$38,800
Housing					
Home Value	\$364,500	\$200,400	\$193,500	\$217,500	\$163,300
% Vacant Housing Units	11.1%	22.1%	15.9%	16.1%	19.5%
Employment					
Employment/Population Ratio	70.0%	64.2%	67.4%	71.9%	62.6%
Unemployment Rate	7.0%	12.7%	10.6%	7.7%	14.7%

Potential Benefits May not be Captured within Geographic Target

Percentage of Enterprise Zone Jobs Retained by Geography



RISE Zone Program

- Established in 2014:
 - Objective: Promote economic and community development within communities anchored around a qualified institution.
 - Institutions of higher education (public and private), nonprofit organizations affiliated with federal agencies, and regional higher education centers qualify for designation.
 - Offers similar capital investment and employment tax credits offered by the enterprise zone program.
 - Six RISE zones totaling 711 acres. Enterprise zone program has 34 zones totaling 13,600 acres.

RISE Zone Evaluation Findings

- Zones established beginning in 2015 but no credits awarded as of October 2018.
- Using enterprise zone tax credits designed in the 1980s to fulfill a different goal of the State may not best achieve the goals and objectives articulated by local zone administrators.
- Given that goals and objectives vary across zones the program may not provide adequate flexibility.
- A property tax credit and nonrefundable employment tax credit may not help start-up technology companies.