February 20, 2018

State House Update

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GBC EVENTS

Message to Members

The 90-day legislative session of the Maryland General Assembly is nearly halfway over, bringing a clearer understanding of the legislative landscape for the 2018 session. The Senate bill introduction deadline was February 5 and the House of Delegates deadline expired on February 9. Bills can be introduced after these deadlines, but few are expected and their chances for passage are limited. As of today, there are more than 2,900 bills pending in the Maryland General Assembly.

This is the final year of the four-year election cycle and all state elected seats are up for election in November. As a result, little controversial legislation is expected to pass. Some bills will likely wait until next year. Others are introduced as "election year fodder” while some can be used as wedge issues during the election season.

The GBC will continue to be active throughout the remaining days of the legislative session, serving as the voice of business and protecting Maryland’s competitive business environment. To follow the GBC’s work in Annapolis, visit our legislative tracking page.
As always, if you have any questions or concerns, please feel free to contact me.

Sincerely,

Donald C. Fry
President and CEO

Angel Investor Tax Credit Legislation Heard in Annapolis

On February 14, the GBC testified before the House Ways and Means Committee in support of House Bill 526 – Income Tax - Angel Investor Tax Credit Program. This bill proposes to create a nonrefundable tax credit equal to 50 percent of an investment made by an angel investor in a Maryland-based innovation business. This bill is a priority of the GBC.

In 2014, the GBC convened stakeholders from the angel investor and entrepreneurial communities, along with experts from economic development and businesses, to develop a program that could grow the innovation economy. What emerged is the proposal contained in House Bill 526. Legislation was introduced in the 2015 and 2016 legislative sessions, but did not pass.

Despite the work the GBC put into creating this bill, its concept is not entirely new. More than half of all states have an incentive program to leverage investment from angel investors. Simply put, this type of program is an economic development best practice. Unlike other tax credits, an angel investor tax credit would not target a specific industry, but would be broad-based. The GBC supports targeted industry incentives, but a broad incentive would help Maryland better attract and retain innovative companies and jobs regardless of the next big technology business opportunity.

The prospects for passage for House Bill 526 remain unclear. But the GBC will continue to advocate for the creation of an angel investor tax credit program. A nearly identical bill, Senate Bill 955 – Income Tax - Angel Investor Tax Credit Program, will have a hearing on March 13.

Amazon Headquarters Incentive Legislation Introduced

Governor Larry Hogan formally introduced legislation aimed at attracting Amazon to choose Montgomery County for its proposed second headquarters. Montgomery County was chosen as one of 20 finalists from a pool of 238 submissions for the project.

The Governor's legislation, SB 877 / HB 989 - Promoting extraordinary Innovation in Maryland’s Economy (PRIME Act),
establishesthe PRIME program within the Department of Commerce to provide Fortune 100 companies tax credits and benefits for up to 10 years. While the bill refers to Fortune 100 companies and could, in theory, be used in the future to attract another company, the bill was introduced specifically for Amazon’s second headquarters proposal. The total package of incentives for Amazon has been reported to be approximately $5 billion, including $2 billion for an array of road and infrastructure improvements. The GBC will be watching this legislation closely.

**Governor Introduces Bill to Minimize Federal Tax Change Impact for Marylanders**

Governor Hogan introduced legislation meant to lessen the effect federal tax law changes are expected to have on Maryland taxpayers. These bills are SB 733 / HB 875 – Protecting Maryland Taxpayers of 2018. Leaders of both parties seem to be in agreement that a legislative fix is needed to ensure Maryland taxpayers do not experience substantial increases to their State taxes as a result of federal action.

The Senate of Maryland has already passed a bill that seeks to clarify that for State income tax purposes a taxpayer can deduct a personal exemption for the taxpayer, the taxpayer’s spouse and eligible dependents. The bill, SB 184 – Income Tax - Personal Exemptions - Alteration, is one piece of a three-part package proposed by Democratic leadership in response to federal tax law changes. The Democrats’ plan calls for: (1) restoring the personal State exemption recently eliminated by federal action; (2) decoupling Maryland's estate tax from the federal tax, which would keep the tax-free threshold below $5 million per individual; and (3) allowing Maryland taxpayers to deduct a contribution to a charitable education cause set up by the State of Maryland.

The GBC consistently supports efforts to minimize the tax burden on Maryland's taxpayers and businesses, including those that resulted from federal tax changes. In the GBC's report, Gaining a Competitive Edge: Keys to Economic Growth and Job Creation in Maryland, eight core pillars for a competitive business environment and job growth are identified. One of the eight pillars calls for:

"Tax structure that is fair and competitive. Maryland’s tax policy must be perceived by business as being competitive and devoid of elements that unreasonably target specific businesses or business sectors."

The GBC is supportive of efforts by legislative leaders and the Governor to address this important issue.

**Paid Sick Leave Implementation**

On January 24, the GBC supported legislation to delay for 60 days the implementation of the mandatory paid sick leave law, called the Maryland Health Working Families Act. As amended, this emergency bill sought to delay the accrual of
sick leave until July 1, 2018, rather than implementing the new law on February 11, 2018.

The bill, SB 304 – Maryland Healthy Working Families Act - Delay of Effective Date, passed the Senate by a 29-17 margin, but ultimately found little support from House leaders and was defeated.

The GBC testified that it believed a minimum 60-day delay of the law was needed so employers have substantial time to prepare policies and procedures necessary for compliance. The GBC was also concerned about the ability of small businesses to implement the mandatory paid sick leave law within the current 30-day provision because many have fewer resources at their disposal to make such a substantive alteration to their personnel policies.

With the legislation’s failure to pass the legislature, employers were required to begin implementing the Maryland Health Working Families Act began on February 11. For guidance provided by the Maryland Department of Labor, Licensing and Regulation, click here.

Upcoming Dates of Interest

On February 28, the GBC is hosting a Newsmaker Breakfast celebrating Black History Month. The event will feature Larry Gibson, author of Young Thurgood, The Making of a Supreme Court Justice. This event will begin at 7:30 a.m. at the GBC Office, 111 S. Calvert St., Suite 1700, Baltimore, MD 21202.

On March 8, the GBC is hosting its next Newsmaker Breakfast featuring a discussion with Drew Vetter, Director of the Mayor's Office on Criminal Justice, regarding Baltimore City's plan to reduce crime and improve public safety. This event will begin at 7:30 a.m. at the GBC Office, 111 S. Calvert St., Suite 1700, Baltimore, MD 21202.

On March 21, the GBC is hosting a Newsmaker Breakfast featuring a discussion with William E. "Brit" Kirwan, Chair of the Maryland Commission on Innovation and Excellence in Education, commonly referred to as the Kirwan Commission. Dr. Kirwan will discuss the current ranking of Maryland schools in the United States and internationally as well as preliminary findings of his commission, including shortcomings of the funding formulas for the state's poorer jurisdictions, needed improvements for recruiting and keeping teachers and more support for at-risk students. This event will begin at 7:30 a.m. at the GBC Office, 111 S. Calvert St., Suite 1700, Baltimore, MD 21202.