



## **FREDERICK COUNTY COUNCIL**

### **Local Government Fiscal and Policy Note**

#### **CONTACT INFORMATION AND GENERAL INSTRUCTIONS**

<b>Bill Number/Reference:</b>	23-16
<b>Bill Title:</b>	Amend Commercial and Industrial Business Tax Credit
<b>Local Government Agency:</b>	Frederick County Finance Division
<b>Prepared By:</b>	Diane Fox
<b>Title:</b>	Director of Treasury
<b>Phone Number:</b>	301-600-1114
<b>E-Mail Address:</b>	<a href="mailto:dfox@frederickcountymd.gov">dfox@frederickcountymd.gov</a>
<b>Due Date:</b>	August 22, 2023
<b>Date Submitted:</b>	August 16, 2023

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## Local Government Fiscal and Policy Note

Please respond to the questions below. If you prefer to provide responses or additional information in a separate file or document, send the file or document in a separate e-mail to [rcherney@frederickcountymd.gov](mailto:rcherney@frederickcountymd.gov) with the bill number/reference in the subject line.

1.	Describe the impact of this proposed legislation on your agency (operations, revenues, expenditures, etc). If there is no impact, please explain why.				
<p>The proposed legislation amends the County's Commercial and Industrial Tax Credit in the following ways:</p> <ul style="list-style-type: none"><li>Decrease the substantial investment from a minimum of \$5,000,000 to a minimum of \$1,500,000</li><li>Decrease the minimum number of new permanent full-time positions from 25 to 3</li><li>Changes the required wage from 150% of the federal minimum wage to 150% of the state minimum wage</li><li>Removes the ability of the County Executive to establish the amount of the credit while keeping the ability of the County Executive to establish the term of the credit</li><li>Codifies the amount of the credit on the County's incremental tax. The incremental tax is the property tax increase attributable to the increase in the assessment of the facility due to the substantial investment in the facility. The potential credits are as follows:<ul style="list-style-type: none"><li>20% credit if new investment is at least \$1,500,000 and at least 3 net new jobs</li><li>40% credit if new investment is at least \$3,000,000 and at least 10 net new jobs</li><li>60% credit if new investment is at least \$5,000,000 and at least 25 net new jobs</li><li>80% credit if new investment is at least \$10,000,000 and at least 50 net new jobs</li><li>100% credit if new investment is at least \$15,000,000 and at least 100 net new jobs</li></ul></li></ul>					
<p>The proposed legislation will have a negative impact on County revenues if businesses qualify for the credit. There have been two businesses that have received Commercial and Industrial Tax Credits. In FY24, the total amount of credits granted for these two businesses was \$1,768,944.96. The County currently has a Small Business Property Tax Credit and no businesses have qualified. It is difficult to estimate the actual decrease since we have limited data on which to base an estimate.</p>					
<p>The proposed legislation will not affect Treasury's operations since current staff will be able to handle the increased workload.</p>					
2.	Please indicate whether the proposed legislation will affect small businesses in Frederick County, and if it will, please provide any information you may have which could be useful in determining the economic impact on small businesses.				
<p>This legislation may have a positive impact on small businesses. If a small business would qualify, they could receive a tax credit starting at 20% of their annual County incremental property tax. The credit can have a term of up to 10 years.</p>					
<b>FISCAL IMPACT SUMMARY – SHOW (DECREASE) IN PARENTHESES</b>					
<b>REVENUES</b>					
3.	Analysis of <b>estimated increase (or decrease) in government revenues</b> . Please estimate below any anticipated increase (or decrease) in revenues resulting from this legislation. Please be aware of any delayed effective dates in the bill or other factors that may cause revenue increases/decreases to begin in later years.				
	<b>Source</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
	<b>TOTAL \$</b>	\$	\$	\$	\$
	<b>Please explain how the above estimated increase(s) or decrease(s) were arrived at, including any calculations and/or assumptions made. Please also explain any variation if the revenue increase(s)/decrease(s) are not constant.</b>				
<p>Due to limited data, it is difficult to estimate the revenue reduction for this amendment. Credits would be based on the incremental tax only, not on the original tax prior to the substantial investment.</p>					

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## Local Government Fiscal and Policy Note

<u>EXPENDITURES</u>					
<b>4.</b>	Analysis of <b>estimated increase (or decrease) in government expenditures</b> . Please estimate below any anticipated increase (or decrease) in expenditures resulting from this legislation. Please be aware of any delayed effective dates in the bill or other factors that may cause expenditure increases/decreases to begin in later years.				
<b>A. Salaries &amp; Wages</b>		<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
FTE Employees - _____ # of positions Fringe Benefits					
<b>TOTAL (Salaries, wages &amp; benefits)</b>		\$	\$	\$	\$
	Please provide an explanation of the need for the number and type of any personnel listed above, including (1) what specific provision(s) of the bill necessitate additional staff; (2) what the duties of each type employee will be; and (3) why existing personnel cannot absorb the additional work. Please also certify the wage/salary rate and % fringe rate (if differing rates apply) for each personnel classification.				
<b>B. Other Operating Expenses</b>		<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
Technical/Special Fees, Grants/Subsidies Communications-Phone, Postage Travel, Food, Auto, Fuel & Utilities Contractual Services Supplies Equipment-Replacement Equipment-Additional Land & Structures, Fixed Charges Other (Please Specify on Extra Page(s))					
<b>TOTAL (Expenditures)</b>		\$	\$	\$	\$
	<b>On the next page, please provide brief descriptions/breakdowns of the above “Other Operating Expenses.”</b>				
	<b>Please explain below any additional calculations or assumptions made in estimating the “Other Operating Expenses” that will help us to understand the amounts and timing of the expenses.</b>				
Additional staff will not be needed – any applications received can be processed by Treasury’s current staff.					

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## **Local Government Fiscal and Policy Note**

### **4. (cont'd)**

#### **C. Operating Expense Descriptions/Breakdowns**

Please provide below a short description of the specific purpose of each expense listed under 4B. If any amount(s) listed under 4B represent(s) a total of multiple expenses, provide a breakdown of the fiscal 2021 amount with a short description of each expense (for example, if \$2,500 is listed for Communications – Phone, Postage, a statement such as “\$1,500 for cellphone charges for two new inspectors and \$1,000 for postage for mailings to permittees to notify them of changes to inspection requirements.”)

#### **Fiscal 2024 Expenditures**

<b>Technical/Special Fees, Grants &amp; Subsidies</b> description/breakdown	\$
<b>Communications – Phone, Postage</b> description/breakdown	\$
<b>Travel, Food, Auto Operations, Fuel &amp; Utilities</b> description/breakdown	\$
<b>Contractual Services</b> description/breakdown	\$
<b>Supplies</b> description/breakdown	\$
<b>Equipment-Replacement</b> description/breakdown	\$
<b>Equipment-Additional</b> description/breakdown	\$
<b>Land &amp; Structures, Fixed Charges</b> description/breakdown	\$
<b>Other (Please Specify)</b> description/breakdown	\$

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### **ADDITIONAL POLICY IMPLICATIONS/CONCERNS**

Please submit BY E-MAIL to: Ragen Cherney, Legislative Director/Chief of Staff  
Frederick County Council • E-Mail: [RCherney@FrederickCountyMD.gov](mailto:RCherney@FrederickCountyMD.gov)