2019 Legislative Session Update

Monday, February 25, 2019

State Budget

Board of Revenue Estimates in the Comptroller's office is expected to announce this week or next a shortfall in revenues around $325-$350 million directly related to the federal government shutdown and capital gains. It will be dependent on the Senate and House budget committees to make cuts to resolve this shortfall. This shortfall comes at the same time that the General Assembly is looking to fund education at an additional $325 million (see Kirwan) and increases to Medicaid which start at $400 million.

Minimum Wage – MCCC supports with amendments

Legislation proposing that Maryland raise its minimum wage to $15 per hour has been hotly debated and grabbed plenty of headlines. It appears a bill in some form will likely pass the General Assembly, but Gov. Larry Hogan has signaled he may veto such a move. The business community is somewhat split on the issue. Some vehemently oppose it. MCCC supported with amendments that would conform the state bill to the current county law around the size of employers, tipped wage, employer protections, exemptions for specific jobs, and phase-in times. As we head deeper into the session, this issue will continue and will likely result in different House and Senate versions headed to a conference committee to be resolved before sine die. The House Economic Matters committee is amending and voting on this bill on Monday, February 25th.

Opportunity Zones – MCCC supports

There are several legislative proposals simmering in the General Assembly aimed at bolstering Opportunity Zones. Opportunity Zones were created under the federal tax law enacted in 2017 and are meant to encourage investment capital in communities struggling economically by providing investors with tax relief on capital gains. Hogan has submitted a plan to beef up incentives in Opportunity Zones by allocating $56.5 million to support economic development and business creation. The Chamber supports proposals to expand incentives for investors as these are likely to encourage economic activity that will lead to jobs and benefit affected communities. With the governor supporting this issue and the potential benefits for communities clear, some of the proposed legislation on this issue seems to have the legs to make it into law this year.

Corporate Tax Rate – MCCC supports

A number of proposed bills to incrementally lower Maryland's corporate income tax rate, currently at 8.25 percent, have been submitted. This is not a new issue; trimming the corporate tax rate has been a topic of debate for years. The concept has strong support from the business community, as several neighboring states have lower rates, including Virginia (6 percent). It's not probable that the legislation has enough support in the General Assembly to make it into law.

Combined Reporting – MCCC opposes

Proposed legislation that would require Maryland corporations to use combined reporting for corporate income taxes has earned the ire of a number of business groups. Under combined reporting, companies with subsidiaries in different states would need to account for those subsidiaries when filing their income taxes in Maryland. While some states require combined reporting, neighboring states, such as Virginia, do not. As a result, some have raised concerns that businesses in Maryland may flee to those states. While that is speculative, it is clear that combined reporting would add another headache to business operations and hinder, rather than help, the state's business climate.

Transportation and P3s – MCCC has expressed concerns and is working with stakeholders
A number of legislative proposals are being advanced that would alter the state's policy on what are known as public-private partnerships (P3s). Such partnerships are considered useful in deploying private capital for critical state infrastructure improvements, particularly in the area of transportation. Most of the proposals before state legislators could expand the time frame for approval of P3 projects. The certainty and predictability of the current process works well for the state and the private sector. It's still too early to tell where these proposals are headed, but they are sure to be watched carefully by the business community statewide and it will be interesting to observe how the governor's administration handles them.

School Construction and School Funding (Kirwan Commission) – MCCC supports (unsure of funding source)
Legislation has been introduced, and supported by the entire Montgomery County Delegation, which would authorize the Maryland Stadium Authority to issue bonds up to $1 billion to finance the construction of Montgomery County Public School facilities. Additionally, the state would provide $100 million in school construction funding for fiscal year 2021 and beyond.

Legislation relating to the recommendations provided by the "Innovation and Excellence in Education Commission" (or the Kirwan Commission) are anticipated to be introduced this week and have a cost of around $325 million. The areas this legislation is expected to cover include early childhood education, career and technical education, afterschool programs, and others. A funding source has not been identified.

Child Care Tax Credits – MCCC supports
A democratic leadership priority this session is to add $20 million to the state's budget for child care tax credits to expand access to the program. This legislation increases the maximum income limits on eligibility for a tax credit against State income tax for certain expenses.

Family and Medical Leave Act – MCCC expressed concerns
The program proposed in legislation generally provides up to 12 weeks of benefits to an employee who is taking partially paid or unpaid leave from employment due to caring for specified family members, the employee's own serious health condition, or a qualifying exigency arising out of a family member's military deployment. The weekly benefit, which is based on an employee's average weekly wage, ranges from $50 to a $1,000 cap that is indexed to inflation. The bill establishes the FAMLI Fund, which consists of employer and employee contributions based on an employee's wages to be used to pay for benefits, a public education program, and initial implementation costs. The Chamber expressed concerns that the employer and employee contributions were not specified in law.