

Washington County, Maryland

New Jobs Tax Credit Program

Washington County Real Property Tax Credit
Washington County Business Personal Property Tax Credit
Maryland Business Income Tax Credit

2014



Washington County Department of Business Development
100 West Washington Street, Room 103
Hagerstown, MD 21740-4710
240-313-2280 – Phone
240-313-2281 – Fax
edcinfo@hagerstowncdc.org
www.hagerstowncdc.org

What is the *New Jobs Tax Credit*?

The *New Jobs Tax Credit* is a program initiated by the Washington County Board of County Commissioners to help attract companies to the local business community who are involved in a high-tech industry and who offer well-paying jobs. The program was originally established in November 2002, and then revised in October 2006.

The *New Jobs Tax Credit* program provides a six-year tax credit for businesses that either expand or relocate in Washington County. The credit applies to Washington County's real property tax that is imposed on real property owned or leased by the business and on personal property owned by that business, if the business qualifies under the program's guidelines.

The amount of the property tax credit a business may claim against County taxes imposed on the assessed value of the new or expanded premises are:

1st and 2nd taxable years – 52%
3rd and 4th taxable years – 39%
5th and 6th taxable years – 26%

After the sixth taxable year, a business entity is no longer eligible for a *New Jobs Tax Credit* under the current certification. The company must reapply for the credit and meet all requirements anew.

A lessor of real property must reduce the amount of taxes for which an eligible business entity is contractually liable under a lease or rental agreement by the amount of the *New Jobs Tax Credit* for which the business entity qualifies.

In addition, the State of Maryland offers a "Businesses that Create New Jobs Credit." If a company is eligible for Washington County's *New Jobs Tax Credit*, it may also take advantage of the state's credit when filing its business income taxes.

The "Businesses that Create New Jobs Credit" may be taken against corporate income tax, personal income tax or insurance premiums tax. The credit may be applied to only one of these tax types in addition to the Washington County *New Jobs Tax Credit*. The state credit is calculated using the following percentages:

1st and 2nd taxable years – 28%
3rd and 4th taxable years – 21%
5th and 6th taxable years – 14%

Sole proprietorships, corporations and pass-through entities, such as partnerships, subchapter S corporations, limited liability companies and business trusts may claim the tax credit.

For more information about the State of Maryland's "Businesses that Create New Jobs Credit," contact:

State Department of Assessments and Taxation
301 W. Preston Street
Baltimore, MD 21201-2395
Phone: 410-767-1150
Email: taxcredits@dat.state.md.us

New Jobs Tax Credit Program Eligibility

The following standards and requirements have been developed by the Washington County Board of County Commissioners and the State of Maryland. All business entities wishing to receive the *New Jobs Tax Credit* must comply with these requirements.

To Qualify For The Program, A Business Must:

- either construct or expand its operations in Washington County by a minimum of 10,000 square feet;
- employ at least 25 persons in new permanent full-time positions located in the new or expanded premises in the County during a 24-month period after it occupies the new or expanded premises;
- 50% of those new jobs created must pay at least 135% of the Average Weekly Wage per Washington County Worker as reported by the Maryland Department of Labor, Licensing, and Regulation at the end of the previous calendar year; and,
- be located in a Priority Funding Area as designated in Title 5, Subtitle 7B of the State Finance and Procurement Article.

A business is NOT eligible for the tax credit program if:

- it has moved the operations which are located on the new or expanded premises from another county in Maryland, including Baltimore City;
- the business has been given a tax credit or exemption for the new or expanded premises during the same taxable year under any other state or county law;
- the business' primary operations at the new or expanded premises are related to the restaurant, retail, hospitality or warehouse distribution industries; and,
- the business' operations are not consistent with the County's Comprehensive Land Use Plan.

*The "New Jobs Tax Credit" is **not** retroactive.*

A company must meet the program's revised requirements on or after October 17, 2006.*

**Pursuant to Washington County Real and Personal Property Tax Credit Ordinance for Businesses that Create Jobs Section 3 (d) "Any business entity that, prior to October 17, 2006, had applied for, qualified for, and had received a New Jobs Tax Credit pursuant to the Washington County Real and Personal Property Tax Credit Ordinance for Businesses that Create New Jobs dated November 12, 2002 and revised June 7, 2005 ("the 2002 Ordinance"), shall continue to receive the tax credit in accordance with and based on the criteria prescribed by the 2002 Ordinance. Upon the expiration of the tax credit time period imposed by the 2002 Ordinance (six taxable years after the credit was allowed), such business entity shall no longer be eligible for a New Jobs Tax Credit under the prior certification and the Treasurer shall not allow further credit. In order to receive a new credit, any such business entity must reapply for the New Jobs Tax Credit and must meet anew all requirements then existing.*

Calculation of Real Property *New Jobs Tax Credit*

The property tax credit for a building at 22 East XYZ Street, finishing construction and becoming certified for the *New Jobs Tax Credit* program in Calendar Year 2012, will first receive the real property assessment credit on the July 1, 2013 tax bill (Fiscal Year 2013-2014).

Year 1 & 2

2013-2014 assessment (current year, after construction or expansion)	=	\$1,000,000
2012-2013 base assessment	=	\$200,000
Increase in assessment	=	\$800,000
Credit allowed on assessment (\$800,000 increased assessment x 52% = \$416,000)	=	\$416,000

Using this example, a business would receive the following real property tax charge on its July 1, 2013 and July 1, 2014 real property tax bills:

Real Property Taxes with the <i>New Jobs Tax Credit</i>		
Washington County	$\$0.948 \times \$584,000/\$100$	= \$5,536.32

Year 3 & 4

2013-2014 assessment (current year, after construction or expansion)	=	\$1,000,000
2012-2013 base assessment	=	\$200,000
Increase in assessment	=	\$800,000
Credit allowed on assessment (\$800,000 increased assessment x 39% = \$312,000)	=	\$312,000

Using this example, a business would receive the following real property tax charge on its July 1, 2015 and July 1, 2016 real property tax bills:

Real Property Taxes with the <i>New Jobs Tax Credit</i>		
Washington County	$\$0.948 \times \$688,000/\$100$	= \$6,522.24

Year 5 & 6

2013-2014 assessment (current year, after construction or expansion)	=	\$1,000,000
2012-2013 base assessment	=	\$200,000
Increase in assessment	=	\$800,000
Credit allowed on assessment (\$800,000 increased assessment x 26% = \$208,000)	=	\$208,000

Using this example, a business would receive the following real property tax charge on its July 1, 2017 and July 1, 2018 real property tax bills:

Real Property Taxes with the <i>New Jobs Tax Credit</i> Washington County \$0.948 x \$792,000/\$100	=	\$7,508.16
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Total Washington County Real Property Taxes <u>without</u> the <i>New Jobs Tax Credit</i> (Tax Years 2013-2014 through 2017-2018)	=	\$56,880.00
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Total Washington County Real Property Taxes <u>with</u> the <i>New Jobs Tax Credit</i> (Tax Years 2013-2014 through 2017-2018)	=	\$39,133.44
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<i>NEW JOBS TAX CREDIT SAVINGS TO THE COMPANY</i>	=	\$17,746.56
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Calculation of Business Personal Property *New Jobs Tax Credit*

The business personal property tax credit for a building at 22 East XYZ Street, finishing construction and becoming certified for the *New Jobs Tax Credit* program in Calendar Year 2012, will first receive the business personal property assessment credit on the July 1, 2013 tax bill (Fiscal Year 2013-2014).

Year 1 & 2

2013-2014 assessment (current year, after construction or expansion)	=	\$500,000
2012-2013 base assessment	=	\$0
Increase in assessment	=	\$500,000
Credit allowed on assessment (\$500,000 increased assessment x 52% = \$260,000)	=	\$260,000

Using this example, a business would receive the following business personal property tax charge on its July 1, 2013 and July 1, 2014 property tax bills:

Business Personal Property Taxes with the *New Jobs Tax Credit
 Washington County $\$2.37 \times \$240,000/\$100$ = **\$5,688.00**

Year 3 & 4

2013-2014 assessment (current year, after construction or expansion)	=	\$500,000
2012-2013 base assessment	=	\$0
Increase in assessment	=	\$500,000
Credit allowed on assessment (\$500,000 increased assessment x 39% = \$195,000)	=	\$195,000

Using this example, a business would receive the following business personal property tax charge on its July 1, 2015 and July 1, 2016 property tax bills:

Business Personal Property Taxes with the *New Jobs Tax Credit
 Washington County $\$2.37 \times \$305,000/\$100$ = **\$7,228.50**

Year 5 & 6

2013-2014 assessment (current year, after construction or expansion)	=	\$500,000
2012-2013 base assessment	=	\$0
Increase in assessment	=	\$500,000
Credit allowed on assessment (\$500,000 increased assessment x 26% = \$130,000)	=	\$130,000

Using this example, a business would receive the following personal property tax charge on its July 1, 2017 and July 1, 2018 property tax bills:

Business Personal Property Taxes with the *New Jobs Tax Credit

Washington County	\$2.37 x \$370,000/\$100	=	\$8,769.00
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*Total Washington County Business Personal Property Taxes without the *New Jobs Tax Credit* (Tax Years 2013-2014 through 2017-2018) = \$71,100.00

*Total Washington County Business Personal Property Taxes with the *New Jobs Tax Credit* (Tax Years 2013-2014 through 2017-2018) = \$43,371.00

NEW JOBS TAX CREDIT SAVINGS TO THE COMPANY = **\$27,729.00**

*Calculations do not include depreciation rates on business personal property.

How to Apply for the *New Jobs Tax Credit*

In order to become certified as a *New Jobs Tax Credit* eligible company, a business entity must complete and submit a ***New Jobs Tax Credit Application*** to the Washington County Department of Business Development (DBD) before project construction is complete.

The DBD will verify a company's eligibility for the *New Jobs Tax Credit* program. After certification, it is the company's responsibility to notify the Department of Business Development when project construction is complete via the ***New Jobs Tax Credit Notification Letter***. The company must also supply the Department of Business Development with a signed copy of its lease or similar document that will verify the square footage of the company's expansion or new operations in Washington County.

Once project construction is complete, the certified company has 24-months to create at least 25 new full time permanent positions (a work week of at least 35 hours is required). Fifty percent of those new positions must pay at least 135% of the Average Weekly Wage per Washington County Worker as reported by the Maryland Department of Labor, Licensing and Regulation at the end of the previous calendar year.

The Department of Business Development will require the certified company to submit, on an annual basis, employment information. This information will include employee name; social security number; address; position title; date employment began; and, annual pay. This information will be due to the Department of Business Development on or before February 1st. This report is required for the three taxable years after any year when the tax credit was earned. **The information provided by the company will be used to satisfy that the certified company is meeting all *New Jobs Tax Credit* requirements.**

Recapture of *New Jobs Tax Credit*

A business entity that does not satisfy all applicable requirements under the Washington County *New Jobs Tax Credit* ordinance must repay the tax credit to the County after receiving notice from the Washington County Treasurer that the credit must be repaid.

Interest must accrue on any repayable tax credit at the rate established for overdue property taxes, beginning thirty (30) days after the notice from the Washington County Treasurer.

Any unrepaid tax credit is a lien on real and personal property owned by the business entity in the same manner as unpaid real property taxes under state and county law.

New Jobs Tax Credit Contacts

Administration:

Local New Jobs Tax Credit information, application, materials

Washington County Department of Business Development
100 West Washington Street, Room 103, Hagerstown, MD 21740-4710
Attn: New Jobs Tax Credit Program
Ph.: 240-313-2280 Fx.: 240-313-2281

Real Property Assessment:

Details about local real property assessment

Adam Lewis, Maryland Department of Assessments and Taxation
3 Public Square, Hagerstown, MD 21740
Ph.: 301-791-3050

Real Property Assessment:

Information about property assessment and related tax credits at the State level

Robert Young, Maryland Department of Assessments and Taxation
301 West Preston Street, 8th Floor, Baltimore, MD 21201-2305
Ph.: 410-767-1191

Personal Property Assessment:

Details about business personal property assessment

Ed Muth, Maryland Department of Assessments and Taxation
301 W. Preston Street, Baltimore, MD 21201-2395
Ph.: 410-767-1150

Tax Collection:

Information on property taxes and tax credits for local government

Todd Hershey, Washington County Treasurer
35 West Washington Street, Suite 102, Hagerstown, MD 21740
Ph.: 240-313-2110

Sample Notification Letter

Date

Washington County Department of Business Development
100 West Washington Street, Room 103
Hagerstown, MD 21740-4710
ATTN: New Jobs Tax Credit Program

This is to notify you of COMPANY's intent to receive the *New Jobs Tax Credit*. COMPANY has completed the construction or lease of ### square feet at COMPANY ADDRESS. In order to meet the criteria for the *New Jobs Tax Credit*, it is COMPANY's intention to hire ### permanent full-time employees by MONTH 20xx. It is my understanding that COMPANY must submit a complete list of those new full-time employees along with their annual salaries and hire dates to the Department of Business Development within 24 months of project construction completion. COMPANY understands that failure to submit this information will result in the Department of Business Development initiating "claw-back" procedures to recover any New Jobs Tax Credits that have been awarded by that time.

Enclosed is a copy of our new lease (or a similar document) detailing the amount of square feet COMPANY now occupies.

Sincerely,

COMPANY CONTACT
COMPANY

Enclosure

APPLICATION: New Jobs Tax Credit Qualification
For Application Processing Purposes, You Must Complete ALL Questions Below

NAME OF BUSINESS: _____

Federal Employer Identification Number: _____

North American Industry Classification System (NAICS) code: _____

Contact Person: _____

Mailing Address (for correspondence purposes): _____

Telephone Number: _____ Facsimile Number: _____

PROPERTY INFORMATION

Address of Property: _____

Name of Property Owner: _____

Address of Property Owner (if different than above): _____

Who is responsible for payment of real property taxes under the lease if the new or expanded property is a leased property?
Lessor _____ Lessee _____ Amount or %: _____

Property Tax District Number (two digits): _____ Property Tax Account Number (six digits): _____

Is the business eligible to pay any of the following:

Individual or Corporation Income Tax	Yes	No
Public Service Company Franchise Tax	Yes	No
Insurance Premiums Tax	Yes	No

PROJECT INFORMATION

Please describe the nature of the new or expanded premises in detail (for example, expansion of 30,000 square feet at 1234 Main Street, City, or new 30,000 square foot building at 1234 Main Street, City).

Project Start Date: _____ Expected Completion Date: _____

Estimated Cost of Total Project: \$ _____

Personal Property Identification Number: _____

Please provide an estimate of the total cost of personal property the business entity will report on its Maryland personal property return for the application tax year: \$ _____

EMPLOYEE INFORMATION

Number of Full-time Positions in Washington County prior to new project (if any): _____

Number of New Full-time Positions in Washington County resulting from the new project: _____

Projected Annual Payroll for these New Jobs: _____

Anticipated Occupation Date for New Full Time Employees at New Facility: _____

OTHER

Has the business or another taxpayer been given a tax credit or exemption for the new or expanded premises during the same taxable year under any other state or county law? Yes No

Is the business primarily engaged in the restaurant, retail, hospitality or warehouse distribution industries? Yes No

Is the location of the new or expanded premises consistent with the Washington County Comprehensive Land Use Plan? Yes No

I hereby certify that I am authorized to act on behalf of the above applicant and solemnly affirm under the penalties of perjury that the above information is true and correct. I understand the applicant must submit documentation reasonably necessary to verify the above information including, but not limited to, payroll records and employee time sheets and such other documentation necessary to verify the above information for the taxable year for which the credit is sought and for the three taxable years following the last year in which a tax credit was granted. I further understand that submission of a false or fraudulent application or the withholding of information to obtain a tax credit is a violation, and further subjects the applicant to repayment of all taxes with interest and penalties, and expenses in the event a civil action for collection is filed.

Authorized Company Representative (print name)

Title (please print)

Signature of Authorized Company Representative

Date

Please submit application to: Washington County Department of Business Development
100 West Washington Street, Room 103, Hagerstown, MD 21740-4710