

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



Hagerstown-Washington County Economic Development Commission
100 West Washington Street, Room 103
Hagerstown, MD 21740-4710
240-313-2280 – Phone
240-313-2281 – Fax
edcinfo@hagerstowndc.org
www.hagerstowndc.org



100 West Washington Street, Room 103
Hagerstown, MD 21740-4727
Phone: 240-313-2280
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Dear Business Owner:

Thank you for your interest in *the Hagerstown-Washington County, Maryland New Jobs Tax Credit*. This program is a valued part of our local business incentive package and has been integral in spurring economic growth in Washington County.

The enclosed information has been provided to ease you through the *New Jobs Tax Credit* application process. This packet included a summary of the program and its objectives plus standards for qualification and benefits available.

In order for us to determine your eligibility for the *New Jobs Tax Credit*, please complete and return the necessary forms at your earliest convenience. Your application will be reviewed promptly.

All questions and correspondence regarding the *New Jobs Tax Credit* program should be directed to the Fiscal/Research Specialist at the offices of the Hagerstown-Washington County Economic Development Commission at 240-313-2285.

Again, thank you for your interest in this worthwhile program. Best wishes in all your endeavors.

Sincerely,

John F. Barr
President
Washington County
Board of County Commissioners

Timothy R. Troxell, CEcD
Executive Director
Hagerstown-Washington County
Economic Development Commission

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; and,
- 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.

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.*

Example

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 2007, will first receive the real property assessment credit on the July 1, 2008 tax bill (Fiscal Year 2008-2009).

Year 1 & 2

2008-2009 assessment (current year, after construction or expansion)	=	\$1,000,000
2007-2008 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, 2008 and July 1, 2009 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

2008-2009 assessment (current year, after construction or expansion)	=	\$1,000,000
2007-2008 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, 2010 and July 1, 2011 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

2008-2009 assessment (current year, after construction or expansion)	=	\$1,000,000
2007-2008 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, 2012 and July 1, 2013 real property tax bills:

Real Property Taxes with the *New Jobs Tax Credit*

Washington County \$0.948 x \$792,000/\$100 = **\$7,508.16**

Total Washington County Real Property Taxes without
the *New Jobs Tax Credit* (Tax Years 2008-2009 through 2013-2014) = \$56,880.00

Total Washington County Real Property Taxes with the
New Jobs Tax Credit (Tax Years 2008-2009 through 2013-2014) = \$39,133.44

NEW JOBS TAX CREDIT SAVINGS TO THE COMPANY = **\$17,746.56**

Example
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 2007, will first receive the business personal property assessment credit on the July 1, 2008 tax bill (Fiscal Year 2008-2009).

Year 1 & 2

2008-2009 assessment (current year, after construction or expansion)	=	\$500,000
2007-2008 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, 2008 and July 1, 2009 property tax bills:

Business Personal Property Taxes with the *New Jobs Tax Credit

Washington County	$\$2.37 \times \$240,000/\$100$	=	\$5,688.00
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Year 3 & 4

2008-2009 assessment (current year, after construction or expansion)	=	\$500,000
2007-2008 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, 2010 and July 1, 2011 property tax bills:

Business Personal Property Taxes with the *New Jobs Tax Credit

Washington County	$\$2.37 \times \$305,000/\$100$	=	\$7,228.50
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Year 5 & 6

2008-2009 assessment (current year, after construction or expansion)	=	\$500,000
2007-2008 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, 2012 and July 1, 2013 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 2008-2009 through 2013-2014) = \$71,100.00

*Total Washington County Business Personal Property Taxes with the *New Jobs Tax Credit* (Tax Years 2008-2009 through 2013-2014) = \$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 Economic Development Commission before project construction is complete.

The Economic Development Commission will verify a company's eligibility for the *New Jobs Tax Credit* program. After certification, it is the company's responsibility to notify the Economic Development Commission when project construction is complete via the ***New Jobs Tax Credit Notification Letter***. The company must also supply the Economic Development Commission 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 Economic Development Commission 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 Economic Development Commission 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

Sonja L.B. Hoover, Hagerstown-Washington County EDC
100 West Washington Street, Room 103, Hagerstown, MD 21740-4710
Ph.: 240-313-2285 Fx.: 240-313-2281

Real Property Assessment:

Details about local real property assessment

W. Timothy O'Rourke, 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

Ms. Sonja L.B. Hoover
Fiscal/Research Specialist
Hagerstown-Washington County Economic Development Commission
100 West Washington Street, Room 103
Hagerstown, MD 21740-4710

Dear Ms. Hoover:

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 200?. 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 Economic Development Commission within 24 months of project construction completion. COMPANY understands that failure to submit this information will result in the Economic Development Commission 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

