

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

House Bill 285 (Allegany County Delegation)

Ways and Means

Personal Property - Tax Exemptions and Credits - Effect on State Aid

This bill excludes personal property subject to a manufacturing tax credit from a county's assessable base for purposes of calculating State aid payments.

This bill takes effect June 1, 1999.

Fiscal Summary

State Effect: None. This bill redirects existing State aid among local jurisdictions. There is no additional cost to the State.

Local Effect: This bill redistributes State aid to certain counties that provide personal property tax credits in lieu of exemptions.

Small Business Effect: None.

Fiscal Analysis

Background: Approximately 55% of State aid is allocated inversely to local wealth, whereby less affluent jurisdictions receive relatively more aid. Wealth is usually defined as some combination of property assessable base and net taxable income. Two of the State's primary aid programs, current expense and compensatory aid, include personal property assessable base as a wealth component to distribute aid to local governments. State funding for these programs totals \$1.7 billion in fiscal 2000.

Local Effect: Under current law personal property used in manufacturing is exempt from property taxes, except in 6 counties (Allegany, Dorchester, Garrett, Somerset, Wicomico, and

Worcester). However, 4 of these counties (Allegany, Garrett, Wicomico, and Worcester) provide a property tax credit against personal property used in manufacturing. (Information on Dorchester and Somerset Counties is not available.) The impact on local property tax revenues from either a property tax exemption or a 100% tax credit is similar, with the local government receiving no tax revenue from the personal property used in manufacturing. However, a county's State aid allocation is affected by the type of property tax relief granted to manufacturers.

For purposes of calculating State aid under current law, the value of tax exempt property is excluded from a county's assessable base; however, the value of property to which a tax credit applies is currently included in the base. Since both the current expense and compensatory aid formulas are partly based on local wealth, retaining the personal property that is subject to a tax credit within a county's wealth base makes that county relatively more wealthier than it otherwise would be if the personal property was subject to an exemption and was removed from the base. The following table shows the amount of assessable base that is subject to a tax credit in the 4 affected counties.

County	Estimated Tax Credit	Estimated Assessable Base	Amount Removed From Wealth Base
Allegany	\$5,000,000	\$202,429,000	\$101,214,500
Garrett	313,000	12,085,000	6,042,500
Wicomico	68,000	3,022,000	1,511,000
Worcester	18,000	1,047,000	523,500

Source: Department of Assessments and Taxation

Pursuant to this legislation, the assessable base related to the personal property tax credit would no longer be counted in a county's wealth base. However, since under current law only 50% of the personal property assessable base is included in a county's wealth base for aid purposes, only one-half of the affected assessable base will be removed from the county's wealth base. For example, Allegany County's wealth base would decrease by \$101 million. This adjustment to the county's wealth base will affect each county's share of State aid. The attached tables show the effect on State aid for each jurisdiction in the State.

Information Source(s): Department of Legislative Services, Department of Assessments and Taxation

Fiscal Note History: First Reader - February 11, 1999

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Exclusion of Tax Credits From Local Wealth Measure - HB 285
Basic Current Expense Formula Aid - FY 2000

<u>County</u>	<u>FTE Enrollment 9/30/98</u>	<u>Wealth Base</u>	<u>State Aid Under HB 285</u>	<u>State Aid Under Current Law</u>	<u>Difference Over Current Law</u>	<u>Per Pupil Difference</u>
Allegany	10,345.00	\$1,612,165,773	\$28,187,379	\$27,430,447	\$756,932	\$73.17
Anne Arundel	70,544.50	20,760,835,570	118,493,384	118,578,503	(85,119)	-1.21
Baltimore City	98,160.00	13,037,927,416	284,513,188	284,566,643	(53,456)	-0.54
Baltimore	99,240.25	28,865,435,264	169,262,796	169,381,145	(118,348)	-1.19
Calvert	14,427.75	3,497,080,284	29,887,040	29,901,379	(14,338)	-0.99
Caroline	5,311.50	739,836,798	15,135,947	15,138,981	(3,033)	-0.57
Carroll	26,070.75	5,463,746,383	60,462,184	60,484,586	(22,401)	-0.86
Cecil	14,512.00	2,750,244,322	35,852,743	35,864,019	(11,276)	-0.78
Charles	20,947.00	4,453,564,298	48,099,189	48,117,449	(18,260)	-0.87
Dorchester	4,732.75	895,411,413	11,703,982	11,707,653	(3,671)	-0.78
Frederick	33,432.75	7,353,577,300	74,917,092	74,947,241	(30,150)	-0.90
Garrett	4,937.25	960,811,536	12,008,103	11,966,459	41,644	8.43
Harford	36,706.00	7,711,606,618	84,983,670	85,015,288	(31,618)	-0.86
Howard	40,107.00	12,088,886,526	65,211,700	65,261,265	(49,564)	-1.24
Kent	2,658.50	752,010,490	4,694,709	4,697,792	(3,083)	-1.16
Montgomery	120,893.75	49,091,421,359	101,069,379	101,270,654	(201,275)	-1.66
Prince George's	122,344.00	25,168,475,930	287,294,805	287,397,995	(103,191)	-0.84
Queen Anne's	6,362.75	1,711,175,767	11,905,304	11,912,320	(7,016)	-1.10
St. Mary's	13,672.75	2,832,759,115	31,956,015	31,967,630	(11,614)	-0.85
Somerset	2,834.00	436,774,270	7,758,705	7,760,496	(1,791)	-0.63
Talbot	4,268.50	1,847,658,729	2,705,475	2,713,051	(7,575)	-1.77
Washington	18,930.50	3,856,856,551	44,736,713	44,752,526	(15,813)	-0.84
Wicomico	13,139.00	2,352,446,283	33,499,210	33,497,456	1,754	0.13
Worcester	6,486.50	2,913,389,066	3,313,867	3,321,863	(7,996)	-1.23
Total	791,064.75	\$201,154,097,061	\$1,567,652,581	\$1,567,652,839	(\$259)	(\$0)

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Exclusion of Tax Credits From Local Wealth Measure - HB 285
Compensatory Aid Program - FY 2000

<u>County</u>	<u>Chapter 1 Enrollment</u>	<u>Wealth Base</u>	<u>State Aid Under HB 285</u>	<u>State Aid Under Current Law</u>	<u>Difference Over Current Law</u>	<u>Per Pupil Difference</u>
Allegany	2,832	\$1,612,165,773	\$3,194,093	\$3,010,366	\$183,727	\$17.76
Anne Arundel	6,678	20,760,835,570	3,988,396	3,994,975	(6,579)	(0.09)
Baltimore City	50,307	13,037,927,416	66,571,436	66,681,251	(109,815)	(1.12)
Baltimore	11,735	28,865,435,264	7,091,309	7,103,005	(11,697)	(0.12)
Calvert	946	3,497,080,284	685,990	687,121	(1,132)	(0.08)
Caroline	793	739,836,798	1,000,663	1,002,314	(1,651)	(0.31)
Carroll	1,328	5,463,746,383	1,113,768	1,115,605	(1,837)	(0.07)
Cecil	1,716	2,750,244,322	1,591,501	1,594,126	(2,625)	(0.18)
Charles	1,970	4,453,564,298	1,628,598	1,631,284	(2,686)	(0.13)
Dorchester	1,205	895,411,413	1,119,468	1,121,314	(1,846)	(0.39)
Frederick	2,244	7,353,577,300	1,793,204	1,796,163	(2,958)	(0.09)
Garrett	1,253	960,811,536	1,131,701	1,126,483	5,218	1.06
Harford	2,998	7,711,606,618	2,508,172	2,512,310	(4,137)	(0.11)
Howard	1,768	12,088,886,526	1,030,979	1,032,679	(1,701)	(0.04)
Kent	378	752,010,490	234,876	235,263	(387)	(0.15)
Montgomery	9,958	49,091,421,359	4,310,264	4,317,374	(7,110)	(0.06)
Prince George's	14,306	25,168,475,930	12,222,992	12,243,154	(20,161)	(0.16)
Queen Anne's	639	1,711,175,767	417,623	418,312	(689)	(0.11)
St. Mary's	1,930	2,832,759,115	1,637,333	1,640,034	(2,701)	(0.20)
Somerset	861	436,774,270	981,928	983,547	(1,620)	(0.57)
Talbot	639	1,847,658,729	259,470	259,898	(428)	(0.10)
Washington	2,852	3,856,856,551	2,460,434	2,464,492	(4,058)	(0.21)
Wicomico	2,531	2,352,446,283	2,484,667	2,487,169	(2,501)	(0.19)
Worcester	1,094	2,913,389,066	428,117	428,746	(629)	(0.10)
Total	122,961	\$201,154,097,061	\$119,886,982	\$119,886,985	(\$3)	(\$0)

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