

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 821 (Delegate Bozman. *et al.*)

Ways and Means

Property Tax Credits - Construction

This bill provides that a law that grants a tax credit under Title 9 of the Tax - Property Article may not be construed to affect the eligibility of any entity for a property tax exemption provided under the same title.

The bill is effective June 1, 2000, and is to be applied prospectively. This bill is not intended to create any inference as to eligibility of any entity for a property tax exemption by any act granting or authorizing a tax credit under the Title 9 of the Tax - Property Article that was enacted before the effective date of this bill.

Fiscal Summary

State Effect: Potential minimal decrease in Annuity Bond Fund revenues with a corresponding increase in general fund expenditures.

Local Effect: Potential minimal decrease in property tax revenues. No effect on expenditures.

Small Business Effect: Potential minimal.

Analysis

Current Law: The General Assembly has the ability to provide broad categories of property tax exemptions for certain types of properties (e.g., charitable, educational, government-owned). Individual property owners must apply for such an exemption with the Department of Assessments and Taxation. The department either approves or rejects the application and

provides written notice to the owner. The owner has the right to appeal the decision. The General Assembly also has the ability to grant property tax credits for specific property. These tax credits can either be mandatory or optional for the local governing body.

The State real property tax rate is \$.21 per \$100 of assessed value. All State property tax revenues are credited to a special fund, the Annuity Bond Fund, dedicated exclusively to paying the debt service on State general obligation bonds. Local governments generally have the authority to set their own property tax rates.

Background: During the 1999 session, testimony was provided on HB 155 that the passage of a tax credit could be construed to imply that the organization granted the credit was not eligible for a tax exemption. This could then be used by the Department of Assessments and Taxation and potentially the courts as the basis for denying a tax exemption to other similar organizations. Advice from the Attorney General's Office indicated that, "As the General Assembly does not ordinarily authorize a tax credit for an organization that is eligible for an exemption, the implication of authorizing the credit is that the organization is not eligible for the exemption."

State Fiscal Effect: To the extent that this bill would cause the Department of Assessments and Taxation to discontinue denying exemptions to organizations because similar organizations were granted a property tax credit by the General Assembly, property tax exemptions could increase. As a result, property tax revenue and revenue credited to the Annuity Bond Fund could decrease. It is anticipated that any such decrease would be minimal. General fund expenditures would necessarily increase by a corresponding amount to replace the loss in revenue to the fund.

Local Fiscal Effect: Similar to the effect on State revenue, local revenues could minimally decrease to the extent that exemptions granted by the Department of Assessments and Taxation increase.

Additional Information

Prior Introductions: None.

Cross File: SB 331 - (Senator Van Hollen, *et al.*) - Budget and Taxation.

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

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