

# SENATE BILL 872

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CF 4lr1601

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By: **Senators Klausmeier, King, Peters, and Robey**

Introduced and read first time: January 31, 2014

Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

2 **Personal Property Tax – Manufacturing Property – Exemption**

3 FOR the purpose of altering the definition of “manufacturing” as it relates to an  
4 exemption from property tax for certain personal property to include handling  
5 or movement of a finished product at a manufacturing site before storage or  
6 shipping; making a conforming change; providing for the application of this Act;  
7 and generally relating to the property tax exemption for personal property used  
8 in manufacturing.

9 BY repealing and reenacting, with amendments,  
10 Article – Tax – Property  
11 Section 1–101(r) and 7–225  
12 Annotated Code of Maryland  
13 (2012 Replacement Volume and 2013 Supplement)

14 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
15 MARYLAND, That the Laws of Maryland read as follows:

16 **Article – Tax – Property**

17 1–101.

18 (r) (1) “Manufacturing” means the process of substantially transforming,  
19 or a substantial step in the process of substantially transforming, tangible personal  
20 property into a new and different article of tangible personal property by use of labor  
21 or machinery.

22 (2) “Manufacturing” includes:

23 (i) the operation of sawmills, grain mills, or feed mills;

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (ii) the operation of machinery and equipment used to extract  
2 and process minerals, metals, or earthen materials or by-products that result from the  
3 extracting or processing;

4 (iii) research and development activities, whether or not the  
5 company has a product for sale;

6 (iv) the identification, design, or genetic engineering of biological  
7 materials for research or manufacture; [and]

8 (v) the design, development, or creation of computer software  
9 for sale, lease, or license; AND

10 **(VI) THE HANDLING OR MOVEMENT OF A FINISHED PRODUCT**  
11 **AT A MANUFACTURING SITE AFTER THE LAST STEP OF PRODUCTION THROUGH**  
12 **THE NEXT IMMEDIATE STEP BEFORE STORAGE OR SHIPPING.**

13 (3) "Manufacturing" does not include:

14 (i) activities that are primarily a service;

15 (ii) activities that are intellectual, artistic, or clerical in nature;

16 (iii) public utility services, including telephone, gas, electric,  
17 water, and steam production services; or

18 (iv) any other activity that would not commonly be considered as  
19 manufacturing.

20 7-225.

21 (a) Except as provided in § 7-109 of this title and in subsection (b) of this  
22 section, if used in manufacturing, the following personal property, however operated  
23 and whether or not in use, is not subject to property tax:

24 (1) tools;

25 (2) implements;

26 (3) machinery; or

27 (4) manufacturing apparatus or engines.

28 (b) Except as provided by § 7-108 of this title, the personal property listed in  
29 subsection (a) of this section is subject to a county property tax on:

1           (1)    100% of its assessment in Garrett County, Somerset County,  
2 Wicomico County, and Worcester County; and

3           (2)    75% of its assessment in Allegany County.

4           (c)    **(1)**    [Property] **SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION,**  
5 **PROPERTY** does not qualify for the exemption under this section if the property is  
6 used primarily in administration, management, sales, storage, shipping, receiving, or  
7 any other nonmanufacturing activity.

8                   **(2)    THE PERSONAL PROPERTY LISTED IN SUBSECTION (A) OF**  
9 **THIS SECTION, IF USED FOR THE HANDLING OR MOVEMENT OF A FINISHED**  
10 **PRODUCT AT A MANUFACTURING SITE AFTER THE LAST STEP OF PRODUCTION**  
11 **THROUGH THE NEXT IMMEDIATE STEP BEFORE STORAGE OR SHIPPING, IS NOT**  
12 **SUBJECT TO PROPERTY TAX.**

13           (d)    In order to qualify for the exemption under this section, a person claiming  
14 the exemption must apply for and be granted the exemption by the Department.

15           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
16 June 1, 2014, and shall apply to personal property in use after December 31, 2013.