

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE
Revised

House Bill 833

(Delegate McIntosh, *et al.*)

Ways and Means

Budget and Taxation

Baltimore City - Tax-Exempt Property - Certification of Use

This bill requires all organizations that own specified tax-exempt property in Baltimore City to submit an application to the State Department of Assessments and Taxation (SDAT) every three years in accordance with the department's three-year assessment cycle, beginning April 1, 2016. The application must certify that the property is being used for its tax-exempt purpose.

The bill takes effect July 1, 2015.

Fiscal Summary

State Effect: None. SDAT can handle the bill's requirements with existing budgeted resources. To the extent that properties are determined to be no longer eligible for tax-exempt status, Annuity Bond Fund revenues will increase beginning in FY 2017.

Local Effect: To the extent that properties are determined to be no longer eligible for tax-exempt status, Baltimore City property tax revenues will increase beginning in FY 2017.

Small Business Effect: None.

Analysis

Bill Summary: The application submitted to SDAT must (1) be made on the form that the department provides; (2) certify that each property owned by the organization in Baltimore City that is not subject to property tax is in current actual use for a tax-exempt

purpose; and (3) include a statement by a representative of the organization under oath that the facts stated in the application are true, correct, and complete.

The failure to file an application by April 1 in a year an application is due, will result in the organization losing their property tax exemption status effective the following July 1. The organization's property tax exemption status will be reinstated upon filing an application with the department. If the application is received after July 1 but before April 1, the organization's tax exemption status will be reinstated in the next taxable year. If the application is received after April 1 but before July 1, the organization's tax exemption status will be reinstated in the second following taxable year.

An organization that owns specified tax-exempt property must notify SDAT and the Baltimore City Director of Finance within 30 days after the property ceases to be used for a specified tax-exempt purpose.

Current Law: Generally, State law exempts certain types of real property from property taxation such as government-owned, charitable, benevolent, educational, churches, veterans' organizations, fire companies, historical societies, and museums. SDAT is responsible for determining exemptions that are specified by law. The department is required by law to assess all exempt real property, except property owned by the federal government.

While local governments have limited ability to alter real property exemptions, they have been granted broad authority to exempt certain types of personal property from property taxation. The types of property exempt from local taxation are enumerated in Title 7 of the Tax-Property Article. Exemptions apply to State property taxation as well, although the State does not tax personal property.

The major exemptions from the local real property tax are: local, State, and federal government property; property of religious organizations; cemeteries and mausoleums; nonprofit hospitals; portions of continuing care facilities for the elderly; property of charitable, fraternal, and educational institutions; property used for national defense or military housing; property of national veterans' organizations; homes of disabled veterans and the blind (partial exemption), or a surviving spouse of either; property of historical societies and museums; property owned by certain taxpayers engaged in building, operating, and managing nonprofit multifamily units, subject to local government approval; and property owned by fire companies, rescue squads, community water corporations, and housing authorities.

Background: In fiscal 2014, tax-exempt properties in Maryland have assessed values totaling almost \$80 billion and account for 11% of the assessable property tax base in the State. Baltimore City has a relatively high percentage of exempt property compared to

other cities in the United States (**Exhibit 1**) and compared to other counties in Maryland (**Exhibit 2**). The assessed value of tax-exempt properties in Baltimore City total \$25,002 on a per capita basis and accounts for 31.6% of the assessable base. Baltimore City reports that as of July 1, 2013, there were 17,204 real property accounts in the city with exempt status. **Exhibit 3** shows the amount of exempt property in each of the State's 24 jurisdictions by tax-exempt category. **Exhibit 4** shows the estimate revenue loss associated with each jurisdictions tax-exempt property and its property tax rate equivalent. **Exhibit 5** shows the revenue effect for each tax-exempt category. **Exhibit 6** outlines the general definitions of the various types of tax-exempt property in the State.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 25, 2014
ncs/hlb Revised - House Third Reader - March 24, 2014

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

Exhibit 1
Property Tax Exemptions for the 20 Most Populous U.S. Cities with Available Data
(\$ in Millions)

<u>City</u>	<u>Year</u>	<u>Taxable Parcels</u>	<u>Fully Exempt Parcels</u>	<u>Total Assessed Value</u>	<u>Total Exempt Value</u>	<u>Total Exempt %</u>
New York, NY	2011	1,030,202	39,102	\$255,582	\$107,953	42.2%
Washington, DC	2011	183,627	12,464	220,816	81,528	36.9%
Baltimore, MD	2013	NA	NA	49,154	15,535	31.6%
Philadelphia, PA	2012	554,749	24,580	18,023	5,570	30.9%
Boston, MA	2012	153,807	8,347	118,784	34,800	29.3%
Jacksonville, FL	2011	309,744	19,169	57,726	16,615	28.8%
Columbus, OH	2011	254,301	19,073	19,606	5,596	28.5%
Denver, CO	2011	226,009	18,487	14,190	3,979	28.0%
Fort Worth, TX	2011	299,223	8,576	46,535	12,065	25.9%
Houston, TX	2011	566,695	40,476	165,002	42,692	25.9%
Phoenix, AZ	2012	475,311	21,923	16,214	3,838	23.7%
Dallas, TX	2011	361,376	15,060	100,232	23,445	23.4%
Seattle, WA	2012	202,577	7,835	142,039	31,564	22.2%
Charlotte, NC	2011	502,605	5,929	98,961	12,614	12.7%
Austin, TX	2011	237,753	8,393	88,006	10,869	12.4%
Indianapolis, IN	2011	338,370	16,403	61,263	4,593	7.5%
San Diego, CA*	2011	369,520	1,915	176,120	6,508	3.7%
Los Angeles, CA*	2011	NA	NA	1,035,951	37,848	3.7%
San Jose, CA*	2012	239,410	1,333	111,321	3,946	3.5%
San Francisco, CA*	2012	199,284	4,939	153,449	5,207	3.4%

*In California, government-owned property is considered “nontaxable” and does not require an exemption, so such properties are not reflected in the listed assessed values. Exempt values shown are only for nonprofits and others specifically required to obtain an exemption from the locality of the Board of Equalization.

Source: Governing; Department of Legislative Services

Exhibit 2
Comparison of Tax-exempt Real Property in Fiscal 2014
Per Capita Basis and Percent of Total Property Base

<u>County</u>	<u>Real Property Assessable Base (\$ in Millions)</u>	<u>Tax-exempt Property (\$ in Millions)</u>	<u>Total Property Base (\$ in Millions)</u>	<u>Percent Tax Exempt</u>		<u>Tax-exempt Property Per Capita Basis</u>		<u>Tax-exempt Property Percent of Total Base</u>		
Allegany	\$3,587	\$1,322	\$4,908	26.9%	1.	Baltimore City	\$25,002	1.	Baltimore City	31.6%
Anne Arundel	73,251	6,265	79,516	7.9%	2.	St. Mary's	18,968	2.	Allegany	26.9%
Baltimore City	33,619	15,535	49,154	31.6%	3.	Allegany	17,859	3.	Somerset	22.7%
Baltimore	75,160	7,436	82,596	9.0%	4.	Montgomery	17,735	4.	Wicomico	17.5%
Calvert	11,247	952	12,199	7.8%	5.	Garrett	15,949	5.	St. Mary's	15.0%
Caroline	2,540	306	2,847	10.8%	6.	Somerset	15,289	6.	Washington	13.5%
Carroll	17,967	1,947	19,914	9.8%	7.	Kent	14,615	7.	Dorchester	13.1%
Cecil	9,278	856	10,133	8.4%	8.	Queen Anne's	14,246	8.	Charles	11.9%
Charles	15,333	2,078	17,412	11.9%	9.	Charles	13,802	9.	Prince George's	10.9%
Dorchester	2,879	433	3,313	13.1%	10.	Dorchester	13,316	10.	Caroline	10.8%
Frederick	25,156	2,587	27,744	9.3%	11.	Worcester	13,144	11.	Montgomery	10.0%
Garrett	4,618	476	5,095	9.3%	12.	Washington	12,379	12.	Carroll	9.8%
Harford	24,547	2,537	27,084	9.4%	13.	Talbot	12,297	13.	Kent	9.5%
Howard	42,505	2,868	45,374	6.3%	14.	Wicomico	12,241	14.	Harford	9.4%
Kent	2,817	295	3,112	9.5%	15.	Carroll	11,641	15.	Garrett	9.3%
Montgomery	161,084	17,819	178,903	10.0%	16.	Anne Arundel	11,381	16.	Frederick	9.3%
Prince George's	72,751	8,873	81,625	10.9%	17.	Frederick	10,799	17.	Baltimore	9.0%
Queen Anne's	7,646	692	8,338	8.3%	18.	Calvert	10,626	18.	Cecil	8.4%
St. Mary's	11,712	2,067	13,780	15.0%	19.	Harford	10,204	19.	Queen Anne's	8.3%
Somerset	1,365	401	1,767	22.7%	20.	Prince George's	10,070	20.	Anne Arundel	7.9%
Talbot	8,808	469	9,277	5.1%	21.	Howard	9,580	21.	Calvert	7.8%
Washington	11,857	1,847	13,704	13.5%	22.	Caroline	9,366	22.	Howard	6.3%
Wicomico	5,811	1,232	7,043	17.5%	23.	Baltimore	9,096	23.	Talbot	5.1%
Worcester	14,805	678	15,483	4.4%	24.	Cecil	8,414	24.	Worcester	4.4%
Total	\$640,345	\$79,973	\$720,318	11.1%		Statewide	\$13,590		Statewide	11.1%

Source: Department of Legislative Services

Exhibit 3
State Tax-exempt Assessments in Fiscal 2014
(\$ in Millions)

County	Federal	State	County/ Municipal	Educational	Religious	Charitable/ Fraternal	Individual	Total
Allegany	\$86	\$464	\$327	\$14	\$113	\$299	\$19	\$1,322
Anne Arundel	1,312	1,274	1,956	346	624	533	220	6,265
Baltimore City	774	4,275	4,509	1,380	1,362	3,182	53	15,535
Baltimore	521	1,810	2,627	431	1,199	693	153	7,436
Calvert	73	118	503	13	132	81	32	952
Caroline	8	63	121	22	53	31	9	306
Carroll	14	185	1,030	154	314	213	37	1,947
Cecil	102	142	297	41	130	114	30	856
Charles	904	144	685	12	178	84	72	2,078
Dorchester	28	86	93	2	59	52	114	433
Frederick	350	133	991	287	412	356	58	2,587
Garrett	5	165	206	4	68	19	10	476
Harford	889	102	870	51	258	262	104	2,537
Howard	93	601	1,523	63	341	165	81	2,868
Kent	10	32	83	77	40	46	7	295
Montgomery	3,115	1,011	8,364	803	3,167	917	442	17,819
Prince George's	2,444	1,706	2,619	151	1,222	397	335	8,873
Queen Anne's	3	205	317	6	83	52	26	692
St. Mary's	1,101	216	464	107	100	44	34	2,067
Somerset	4	234	77	6	33	40	8	401
Talbot	18	23	162	24	84	136	22	469
Washington	68	277	653	52	354	407	36	1,847
Wicomico	5	387	427	16	145	233	19	1,232
Worcester	88	79	301	16	100	75	19	678
Total	\$12,015	\$13,734	\$29,205	\$4,078	\$10,570	\$8,431	\$1,938	\$79,973

Source: Department of Legislative Services

Exhibit 4
Revenue Impact of Tax-exempt Real Property in Fiscal 2014
Per Capita Basis and Property Tax Rate Equivalent

County	Real Property Tax Rate	Tax-exempt Property (\$ in Millions)	Estimated Revenue Loss (\$ in Millions)	Per Capita Revenue Loss	Estimated Revenue Loss Per Capita Basis	Estimated Revenue Loss Tax Rate Equivalent
Allegany	\$0.9800	\$995	\$10	\$132	1. Baltimore City	\$0.5552
Anne Arundel	0.9500	4,309	41	74	2. Allegany	0.2128
Baltimore City	2.2480	11,026	248	399	3. St. Mary's	0.1758
Baltimore	1.1000	4,808	53	65	4. Somerset	0.1105
Calvert	0.8920	449	4	45	5. Charles	0.1044
Caroline	0.9400	185	2	53	6. Kent	0.1033
Carroll	1.0180	917	9	56	7. Dorchester	0.1032
Cecil	0.9907	559	6	54	8. Montgomery	0.1004
Charles	1.2050	1,394	17	112	9. Prince George's	0.0867
Dorchester	0.9760	341	3	102	10. Garrett	0.0716
Frederick	1.0640	1,596	17	71	11. Washington	0.0663
Garrett	0.9900	270	3	90	12. Anne Arundel	0.0661
Harford	1.0420	1,667	17	70	13. Wicomico	0.0640
Howard	1.1900	1,345	16	53	14. Frederick	0.0635
Kent	1.0220	212	2	107	15. Harford	0.0566
Montgomery	1.0210	9,455	97	96	16. Queen Anne's	0.0563
Prince George's	1.3190	6,254	82	94	17. Baltimore	0.0547
Queen Anne's	0.8471	375	3	65	18. Worcester	0.0528
St. Mary's	0.8570	1,604	14	126	19. Carroll	0.0494
Somerset	0.9150	325	3	113	20. Cecil	0.0397
Talbot	0.5120	306	2	41	21. Howard	0.0365
Washington	0.9480	1,194	11	76	22. Caroline	0.0343
Wicomico	0.9086	805	7	73	23. Calvert	0.0191
Worcester	0.7700	377	3	56	24. Talbot	0.0172
Total		\$50,767	\$669	\$114	Statewide	\$0.0969

Note: Tax-exempt property excludes county/municipal.
Source: Department of Legislative Services

Exhibit 5
Revenue Impact of Tax-exempt Real Property in Fiscal 2014
(\$ in Millions)

County	Federal	State	Educational	Religious	Charitable/ Fraternal	Individual	Total
Allegany	\$0.8	\$4.6	\$0.1	\$1.1	\$2.9	\$0.2	\$9.8
Anne Arundel	12.5	12.1	3.3	5.9	5.1	2.1	40.9
Baltimore City	17.4	96.1	31.0	30.6	71.5	1.2	247.9
Baltimore	5.7	19.9	4.7	13.2	7.6	1.7	52.9
Calvert	0.7	1.1	0.1	1.2	0.7	0.3	4.0
Caroline	0.1	0.6	0.2	0.5	0.3	0.1	1.7
Carroll	0.1	1.9	1.6	3.2	2.2	0.4	9.3
Cecil	1.0	1.4	0.4	1.3	1.1	0.3	5.5
Charles	10.9	1.7	0.1	2.1	1.0	0.9	16.8
Dorchester	0.3	0.8	0.0	0.6	0.5	1.1	3.3
Frederick	3.7	1.4	3.1	4.4	3.8	0.6	17.0
Garrett	0.0	1.6	0.0	0.7	0.2	0.1	2.7
Harford	9.3	1.1	0.5	2.7	2.7	1.1	17.4
Howard	1.1	7.2	0.8	4.1	2.0	1.0	16.0
Kent	0.1	0.3	0.8	0.4	0.5	0.1	2.2
Montgomery	31.8	10.3	8.2	32.3	9.4	4.5	96.5
Prince George's	32.2	22.5	2.0	16.1	5.2	4.4	82.5
Queen Anne's	0.0	1.7	0.0	0.7	0.4	0.2	3.2
St. Mary's	9.4	1.9	0.9	0.9	0.4	0.3	13.7
Somerset	0.0	2.1	0.1	0.3	0.4	0.1	3.0
Talbot	0.1	0.1	0.1	0.4	0.7	0.1	1.6
Washington	0.6	2.6	0.5	3.4	3.9	0.3	11.3
Wicomico	0.0	3.5	0.1	1.3	2.1	0.2	7.3
Worcester	0.7	0.6	0.1	0.8	0.6	0.1	2.9
Total	\$138.7	\$197.2	\$58.9	\$128.1	\$125.2	\$21.3	\$669.4

Source: Department of Legislative Services

Exhibit 6
General Tax-exempt Property
Categories in Maryland

<u>Category</u>	<u>Definition</u>
Religious	Religious groups may receive an exemption for properties used exclusively for public religious worship, a parsonage or convent, or educational purposes. The law does not extend this type of exemption to properties owned by religious groups that are used as a caretaker's residence, a residence for a minister of music, or a residence for an administrator or other employee.
Charitable	These groups must demonstrate that the use of the property serves the traditional objects of charity and not just merely providing a service to a particular segment of the community. Moreover, nonprofit use is not the equivalent of charitable.
Fraternal, Sororal	These organizations are generally limited to receiving an exemption on property used as a meeting location.
Educational	These groups must show that the property's use adds to the systematic dissemination of education or knowledge to the general public of Maryland. Hobby support organizations do not meet the tests for receiving this type of exemption.
Blind Persons	Those persons with a central visual acuity of 20/200 or less in the better eye may receive, with a doctor's certification, an exemption of \$15,000 of assessment reduction on the dwelling house and surrounding yard. Legally blind persons may apply at any time and need not meet the general September 1 filing deadline.
Disabled Veterans and Surviving Spouses	Armed Services veterans with a permanent, service-connected disability rated 100% by the Veterans Administration may receive a complete exemption from real property taxes on the dwelling house and surrounding yard. These veterans also may apply at any time and do not have to meet the September 1 filing deadline. Unremarried surviving spouses also may apply for this exemption. Surviving spouses of military personnel killed in the line of duty may apply for an exemption.
Other Exemptions	There are other special tax exemptions granted to government-owned properties, cemeteries, community water systems, fire companies and rescue squads, historical societies, housing authorities, environmental conservation groups, and certain specifically named organizations.

Source: State Department of Assessments and Taxation
