

Department of Legislative Services  
Maryland General Assembly  
2014 Session

FISCAL AND POLICY NOTE

Senate Bill 318 (Senator Simonaire)  
Budget and Taxation

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Property Tax - Sunshine Tax Credit Act of 2014

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This bill requires counties and municipalities to grant a property tax credit against the county or municipal property tax in order to offset in whole or in part the applicable stormwater remediation fee imposed under Section 4-202.1(e) of the Environment Article.

The bill takes effect June 1, 2014, and applies to taxable years beginning after June 30, 2014.

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Fiscal Summary

**State Effect:** None.

**Local Effect:** Potential significant decrease in local property tax revenues beginning in FY 2015. Depending on the amount of the property tax credit granted, local revenues may decrease by up to \$128.6 million in FY 2015. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** Potential meaningful.

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Analysis

**Bill Summary:** This bill requires counties and municipalities to grant a property tax credit against the county or municipal property tax in order to offset in whole or in part the applicable stormwater remediation fee imposed under Section 4-202.1(e) of the Environment Article.

County and municipal governments may determine the amount of the property tax credit, not to exceed the amount of the stormwater remediation fee, based on (1) a flat tax credit; (2) an amount that is graduated, based on the size of each property; or (3) another method of calculation selected by the county or municipality.

Prior to enacting the property tax credit for property located within a municipality, the county must (1) notify the municipality of the county's intent to grant a tax credit on property located within the municipality and (2) provide the municipality reasonable time to pass an ordinance authorizing the creation of a municipal tax credit instead of the county tax credit.

Property owned by the State, a unit of State government, Baltimore City, a county, a municipality, or a volunteer fire department that is used for public purposes may not be granted a tax credit.

Beginning January 1, 2016, and every two years thereafter, any local jurisdiction that provides the property tax credit must make publicly available a report on the number of properties receiving the tax credit and the total amount of tax credits provided over the previous two taxable years.

**Current Law/Background:** Local governments are subject to statewide mandatory tax credit programs and have general authority to grant tax credits for certain types of property. They also are subject to mandatory and optional tax credits specific to individual counties and municipalities. Tax credits that may be authorized by local governments, against local property taxes only, are specified by law for various types of property, including cemetery property; structures utilizing solar or geothermal energy saving devices; historic property undergoing restoration or preservation; manufacturing, fabricating, and assembling facilities; agricultural land subject to Maryland agricultural land preservation easements; newly constructed dwellings that are unsold or unrented; open space; tobacco barns; and other specified property.

### *Stormwater Remediation Fees*

Chapter 151 of 2012 requires a county or municipality that is subject to a National Pollutant Discharge Elimination System Phase I municipal separate storm sewer system permit (Phase I MS4 permit) to adopt and implement, by July 1, 2013, local laws or ordinances that establish an annual stormwater remediation fee and a local watershed protection and restoration fund.

Fee revenues from each jurisdiction must be deposited into its local watershed protection and restoration fund and may not revert or be transferred to a local general fund. Each fund must also consist of interest or other investment income and any other money made

available to the fund. Money in each fund is intended to be used only to support additional (not existing or ongoing) efforts for:

- capital improvements for stormwater management, including stream and wetland restoration projects;
- operation and maintenance of stormwater management systems and facilities;
- public education and outreach relating to stormwater management or stream and wetland restoration;
- stormwater management planning, including mapping and assessment of impervious surfaces;
- stormwater management monitoring, inspection, and enforcement activities to carry out the purposes of the watershed protection and restoration fund;
- review of stormwater management plans and permit applications for new development, only if fees to support these activities associated with new development are also deposited into the new watershed protection and restoration fund;
- grants to nonprofit organizations for specified watershed restoration and rehabilitation projects; and
- reasonable administrative costs.

Beginning on July 1, 2014, and every two years thereafter, a county or municipality subject to the law is required to make a publicly available report on the number of properties subject to a stormwater remediation fee, the amount of money deposited into the watershed protection and restoration fund for the previous two fiscal years, and the percentage of funds spent on each of the purposes authorized by the bill.

**Exhibit 1** shows the projected stormwater remediation fee revenues by county for fiscal 2014 through 2018.

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**Exhibit 1**  
**Projected Stormwater Remediation Fees by County**  
**Fiscal 2014-2018**

<b><u>Fee Revenues</u></b>	<b><u>FY 2014</u></b>	<b><u>FY 2015</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>FY 2018</u></b>
Anne Arundel	\$13,900,000	\$18,600,000	\$23,200,000	\$23,200,000	\$31,300,000
Baltimore City	16,700,000	24,600,000	25,600,000	26,300,000	36,000,000
Baltimore	24,300,000	24,300,000	24,300,000	24,300,000	24,300,000
Charles	1,416,186	1,442,431	1,471,721	1,501,011	1,530,301
Frederick	488	488	488	488	488
Harford	1,050,000	10,500,000	10,500,000	10,500,000	10,500,000
Howard	10,800,000	10,800,000	10,900,000	10,900,000	11,000,000
Montgomery	22,882,420	26,368,228	29,986,310	33,437,684	34,576,280
Prince George's	12,000,000	12,000,000	11,500,000	11,500,000	11,000,000
<b>State Totals</b>	<b>\$103,049,094</b>	<b>\$128,611,147</b>	<b>\$137,458,519</b>	<b>\$141,639,183</b>	<b>\$160,207,069</b>

Source: Department of Legislative Services

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**Local Fiscal Effect:** The bill requires counties and municipalities that have a stormwater remediation fee to grant a property tax credit to offset in whole or in part the stormwater remediation fee. The bill does not mandate the amount of the property tax credit but rather authorizes local governments to determine the amount of the property tax credit granted based on several criteria. As such, the actual effect of the bill on local revenues cannot be reliably estimated.

However, based on the projected stormwater remediation fee revenues shown in Exhibit 1, a 100% property tax credit will reduce total county revenues by \$128.6 million in fiscal 2015 and by \$160.2 million in fiscal 2018. A 10% property tax credit would reduce county revenues by approximately \$12.9 million in fiscal 2015 and by approximately \$16.0 million in fiscal 2018.

**Exhibit 2** shows the effect of a 10%, 25%, 50%, and 100% property tax credit on county revenues in fiscal 2015.

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**Exhibit 2**  
**Potential Effect of Stormwater Remediation Property Tax Credit**  
**Fiscal 2015**

<b>County</b>	<b>10% Tax Credit</b>	<b>25% Tax Credit</b>	<b>50% Tax Credit</b>	<b>100% Tax Credit</b>
Anne Arundel	(\$1,860,000)	(\$4,650,000)	(\$9,300,000)	(\$18,600,000)
Baltimore City	(2,460,000)	(6,150,000)	(12,300,000)	(24,600,000)
Baltimore	(2,430,000)	(6,075,000)	(12,150,000)	(24,300,000)
Carroll	0	0	0	0
Charles	(144,243)	(360,608)	(721,216)	(1,442,431)
Frederick	(49)	(122)	(244)	(488)
Harford	(1,050,000)	(2,625,000)	(5,250,000)	(10,500,000)
Howard	(1,080,000)	(2,700,000)	(5,400,000)	(10,800,000)
Montgomery	(2,636,823)	(6,592,057)	(13,184,114)	(26,368,228)
Prince George's	(1,200,000)	(3,000,000)	(6,000,000)	(12,000,000)
<b>Total Decrease</b>	<b>(\$12,861,115)</b>	<b>(\$32,152,787)</b>	<b>(\$64,305,574)</b>	<b>(\$128,611,147)</b>

Source: Department of Legislative Services

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**Small Business Effect:** Small businesses in the jurisdictions currently subject to Chapter 151 may realize a potentially significant reduction in real property taxes, depending on the amount of the property tax credit granted pursuant to the bill. Property tax reductions are likely to be particularly significant for small businesses that own real property with relatively large expanses of impervious surfaces. It is unclear, however, to what extent levies of other fees or taxes may result in even greater liabilities for some small businesses as local jurisdictions seek to raise other funding sources to recover the lost property tax revenue mandated by the bill.

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Baltimore, Carroll, Montgomery, Queen Anne's, and St. Mary's counties; Town of Bel Air; Town of Leonardtown; City of Salisbury; State

Department of Assessments and Taxation; Maryland Department of the Environment;  
Maryland Municipal League; Department of Legislative Services

**Fiscal Note History:** First Reader - January 31, 2014  
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