

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

House Bill 446 (Delegate B. Robinson, *et al.*)
Ways and Means

Personal Property Tax - Exemption - Small Business

This bill exempts, for fiscal 2016 through 2020, personal property from valuation and property tax if it is owned by a business with less than \$100,000 in revenue during the taxable year and is purchased on or after July 1, 2015.

The bill takes effect June 1, 2015.

Fiscal Summary

State Effect: None.

Local Effect: Local property tax revenues will decrease in FY 2016 through 2020 depending on the number of qualifying businesses and the assessed value of personal property. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Potential meaningful. Small businesses that have less than \$100,000 in revenue will pay less in personal property taxes.

Analysis

Current Law: The State has not imposed personal property taxes since fiscal 1984, and all personal property is exempt from the State property tax. However, counties, municipalities, and special taxing districts are authorized to tax personal property.

All business entities in Maryland may be required to pay local personal property taxes. Beginning January 1, 2011, the personal property tax on heavy equipment property is replaced with a gross receipts tax on the short-term lease or rental of heavy equipment

property. All assessable tangible personal property located in Maryland and owned by businesses as of January 1 may be subject to a local personal property tax.

The State mandates certain exemptions from personal property assessment including aircraft, manufacturing tools, equipment or machinery, research and development property, farm implements, agricultural products, livestock, and residential property (nonbusiness property). Local governments are authorized to exempt from taxation tools, equipment, or machinery used in manufacturing.

Except for personal property used in connection with a business, personal property owned by an individual is not subject to valuation or taxation. Personal property used in connection with a business is also exempt if it is owned by an individual and is located at the individual's residence and either (1) is used in connection with a licensed family day care home or (2) had a total original cost (excluding vehicles) of less than \$10,000. Local governments may provide various additional exemptions.

Background: The assessment of personal property is the responsibility of the State Department of Assessments and Taxation, while the collection of the tax on personal property is the responsibility of local governments. The department separately values inventory and all other tangible business personal property based on information filed annually by property owners by April 15 (the data is as of the preceding January 1). Property owners may request a filing extension of two months.

Inventory is valued at its "fair average value," which means the lower of cost or market value. All other personal property, including office furniture, fixtures, equipment, and plant machinery, is valued at "full cash value." Uniform rates of depreciation are applied to the cost of the property to determine full cash value.

Local Fiscal Effect: The bill exempts, for fiscal 2016 through 2020, personal property from valuation and property tax if it is owned by a business with less than \$100,000 in revenue during the taxable year and is purchased on or after July 1, 2015.

Local property tax revenues will decrease beginning in fiscal 2016 through 2020 depending on the number of qualifying businesses and the assessed value of personal property. The amount of any revenue decrease will also vary between counties as counties have different tax rates, and some counties do not tax personal property. As a point of reference, county governments collected approximately \$588.9 million in personal property tax revenues in fiscal 2014 and \$597.4 million in fiscal 2015. **Exhibit 1** shows the personal property tax rates and total estimated revenues in fiscal 2014. **Exhibit 2** shows the personal property tax rates and total estimated revenues in fiscal 2015.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 23, 2015
min/hlb

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Exhibit 1
Personal Property Tax Rates and Revenues in Fiscal 2014
(\$ in Thousands)

County	Railroad Operating – Personal	Utility Operating – Real	Utility Operating – Personal	Business Personal	Total Personal Property Tax Base	Personal Property Tax Rate	Personal Property Tax Revenues
Allegany	\$17,407	\$5,818	\$124,077	\$184,000	\$331,302	\$2.4500	\$7,768
Anne Arundel	1,219	37,185	851,679	1,650,000	2,540,083	2.3750	58,010
Baltimore City	30,923	132,257	830,642	1,040,000	2,033,822	5.6200	97,982
Baltimore	9,740	108,778	1,140,317	1,750,000	3,008,835	2.7500	82,719
Calvert	0	78,840	749,837	115,000	943,677	2.2300	18,480
Caroline	0	4,869	48,779	47,000	100,648	2.3500	1,154
Carroll	6,765	12,873	241,949	327,700	589,287	2.5150	12,642
Cecil	4,991	19,231	119,568	233,000	376,790	2.4768	7,785
Charles ²	2,676	17,916	248,486	700,000	969,078	3.0125	27,745
Dorchester	0	2,379	91,861	26,000	120,240	2.4400	2,715
Frederick ¹	0	24,038	276,886	0	300,924	2.3400	6,513
Garrett ¹	8,184	35,148	67,678	90,000	201,010	2.4750	4,847
Harford	2,377	30,745	467,823	535,000	1,035,945	2.6050	26,307
Howard ²	6,702	25,966	544,142	949,000	1,525,810	2.9750	46,714
Kent	0	1,928	34,669	0	36,597	0.0000	933
Montgomery ²	6,280	99,814	1,381,410	2,200,000	3,687,504	2.5525	88,250
Prince George's ²	8,851	55,478	1,298,776	1,700,000	3,063,105	3.2975	63,890
Queen Anne's ¹	0	3,823	58,446	0	62,269	2.1180	1,150
St. Mary's	0	4,508	103,811	146,000	254,319	2.1425	5,397
Somerset	4,821	989	31,190	28,500	65,500	2.2875	1,655
Talbot ¹	0	3,138	54,288	0	57,426	1.2800	615
Washington	15,657	17,587	130,976	350,000	514,220	2.3700	12,406
Wicomico	4,607	11,371	121,994	340,000	477,972	2.1367	8,107
Worcester	221	3,245	108,742	200,000	312,208	1.9250	5,092
Total	\$131,421	\$737,924	\$9,128,026	\$12,611,200	\$22,608,571		\$588,875

Note: ¹Reflects property tax rate on property owned by a public utility. County does not impose the property tax on business owned personal property. ²Includes countywide special property tax rates. Revenue estimates provided by the county budget office.

Source: Department of Legislative Services; October 2014

Exhibit 2
Personal Property Tax Rates and Revenues in Fiscal 2015
(\$ in Thousands)

County	Railroad Operating – Personal	Utility Operating – Real	Utility Operating – Personal	Business Personal	Total Personal Property Tax Base	Personal Property Tax Rate	Personal Property Tax Revenues
Allegany	\$17,581	\$5,760	\$121,595	\$184,000	\$328,936	\$2.4475	\$7,788
Anne Arundel	1,231	36,813	834,645	1,650,000	2,522,689	2.3570	56,061
Baltimore City	31,232	130,934	814,029	1,040,000	2,016,195	5.6200	104,154
Baltimore	9,837	107,690	1,117,511	1,750,000	2,985,038	2.7500	82,064
Calvert	0	78,052	734,840	115,000	927,892	2.2300	19,300
Caroline	0	4,820	47,803	47,000	99,623	2.4000	1,123
Carroll	6,833	12,744	237,110	327,700	584,387	2.5150	12,682
Cecil	5,041	19,039	117,177	230,000	371,257	2.4768	8,537
Charles ²	2,703	17,737	243,516	700,000	963,956	3.0125	27,860
Dorchester	0	2,355	90,024	26,000	118,379	2.4400	2,888
Frederick ¹	0	23,798	271,348	0	295,146	2.3400	6,840
Garrett ¹	8,266	34,797	66,324	90,000	199,387	2.4750	4,699
Harford	2,401	30,438	458,467	535,000	1,026,306	2.6049	26,644
Howard ²	6,769	25,706	533,259	949,000	1,514,734	2.9750	46,875
Kent	0	1,909	33,976	0	35,885	0.0000	933
Montgomery ²	6,343	98,816	1,353,782	2,200,000	3,658,941	2.5200	85,320
Prince George's ²	8,940	54,923	1,272,800	1,700,000	3,036,663	3.2975	67,730
Queen Anne's ¹	0	3,785	57,277	0	61,062	2.1180	1,432
St. Mary's	0	4,463	101,735	146,000	252,198	2.1425	5,402
Somerset	4,869	979	30,566	28,500	64,914	2.2875	1,485
Talbot ¹	0	3,107	53,202	0	56,309	1.3175	650
Washington	15,814	17,411	128,356	350,000	511,581	2.3700	12,124
Wicomico	4,653	11,257	119,554	340,000	475,464	2.1715	8,873
Worcester	223	3,213	106,567	200,000	310,003	1.9250	5,948
Total	\$132,736	\$730,546	\$8,945,463	\$12,608,200	\$22,416,945		\$597,414

Note: ¹Reflects property tax rate on property owned by a public utility. County does not impose the property tax on business owned personal property. ²Includes countywide special property tax rates. Revenue estimates provided by the county budget office.

Source: Department of Legislative Services; October 2014