

SENATE BILL 455

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6lr2224
CF HB 285

By: **Senator McFadden**

Introduced and read first time: February 2, 2016

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 28, 2016

CHAPTER _____

1 AN ACT concerning

2 **State Education Aid – Real Property Valuation – Tax Increment Financing**

3 FOR the purpose of requiring the ~~assessed valuation of certain real property used in~~
4 ~~calculating the wealth of a jurisdiction for purposes of education aid to remain at a~~
5 ~~certain assessment for a certain period of time under certain circumstances; defining~~
6 ~~certain terms;~~ State Department of Assessments and Taxation to certify annually
7 the amount of assessable base for certain real property; requiring certain State
8 education aid to be calculated in a certain manner for each fiscal year; providing for
9 the application of this Act; declaring the intent of the General Assembly regarding
10 the consideration of the impact of certain economic development incentives in certain
11 jurisdictions in making certain recommendations of a certain study; requiring a
12 certain study and a certain commission to make certain recommendations on certain
13 issues; providing for the termination of this Act; and generally relating to the
14 calculation of education aid for primary and secondary education.

15 BY repealing and reenacting, without amendments,

16 Article – Education

17 ~~Section 5–202(a)(1), (4), (9) through (11), and (14) and (b) and 16–305(a) and (b)(1)~~

18 Section 5–202(a)(1), (3), (4), (9) through (11), and (14) and (b)

19 Annotated Code of Maryland

20 (2014 Replacement Volume and 2015 Supplement)

21 BY adding to

22 Article – Education

23 Section 5–202(l)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 Annotated Code of Maryland
 2 (2014 Replacement Volume and 2015 Supplement)

3 ~~BY repealing and reenacting, with amendments,~~
 4 ~~Article – Education~~
 5 ~~Section 5–202(a)(3) and 16–305(b)(2)~~
 6 ~~Annotated Code of Maryland~~
 7 ~~(2014 Replacement Volume and 2015 Supplement)~~

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

10 **Article – Education**

11 5–202.

12 (a) (1) In this section the following words have the meanings indicated.

13 (3) ~~(H)~~ ~~["Assessed"] EXCEPT AS PROVIDED IN SUBPARAGRAPH (H) OF~~
 14 ~~THIS PARAGRAPH, "ASSESSED~~ valuation of real property" means the most recent
 15 estimate made by the State Department of Assessments and Taxation before the annual
 16 State budget is submitted to the General Assembly, of the assessed value of real property
 17 for State purposes as of July 1 of the first completed fiscal year before the school year for
 18 which the calculation of State aid is made under this section.

19 ~~(H) 1. FOR THE PURPOSE OF THE CALCULATIONS UNDER~~
 20 ~~THIS SUBTITLE ONLY, FOR REAL PROPERTY THAT IS LOCATED IN A DEVELOPMENT~~
 21 ~~DISTRICT ESTABLISHED UNDER TITLE 12, SUBTITLE 2 OF THE ECONOMIC~~
 22 ~~DEVELOPMENT ARTICLE OR ARTICLE II, § 62 OF THE CHARTER OF BALTIMORE~~
 23 ~~CITY, THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION SHALL USE THE~~
 24 ~~ASSESSABLE BASE AS OF JANUARY 1 OF THIS YEAR IN WHICH THE ORDINANCE OR~~
 25 ~~RESOLUTION ESTABLISHING THE DEVELOPMENT DISTRICT BECOMES EFFECTIVE IN~~
 26 ~~THE MOST RECENT ESTIMATE OF "ASSESSED VALUATION OF REAL PROPERTY".~~

27 ~~2. THE ASSESSED VALUATION OF REAL PROPERTY~~
 28 ~~UNDER SUBSUBPARAGRAPH 1 OF THIS SUBPARAGRAPH SHALL BE USED UNTIL THE~~
 29 ~~ORDINANCE OR RESOLUTION ADOPTED UNDER TITLE 12, SUBTITLE 2 OF THE~~
 30 ~~ECONOMIC DEVELOPMENT ARTICLE OR ARTICLE II, § 62 OF THE CHARTER OF~~
 31 ~~BALTIMORE CITY ESTABLISHING THE DEVELOPMENT DISTRICT IS NO LONGER IN~~
 32 ~~EFFECT.~~

33 (4) "Assessed value of personal property" means the most recent estimate
 34 by the State Department of Assessments and Taxation before the annual State budget is
 35 submitted to the General Assembly of the assessed value for county purposes of personal
 36 property as of July 1 of the first completed fiscal year before the school year for which the
 37 calculation is made under this section.

1 (9) "Net taxable income" means the amount certified by the State
 2 Comptroller for the second completed calendar year before the school year for which the
 3 calculation of State aid under this section is made, based on tax returns filed on or before:

4 (i) September 1 after the current calendar year; and

5 (ii) November 1 after the current calendar year.

6 (10) "Personal property" means all property classified as personal property
 7 under § 8–101(c) of the Tax – Property Article.

8 (11) "Real property" means all property classified as real property under
 9 § 8–101(b) of the Tax – Property Article.

10 (14) "Wealth" means the sum of:

11 (i) Net taxable income;

12 (ii) 100 percent of the assessed value of the operating real property
 13 of public utilities;

14 (iii) 40 percent of the assessed valuation of all other real property;
 15 and

16 (iv) 50 percent of assessed value of personal property.

17 (b) Subject to the other provisions of this section, each year the State shall
 18 distribute the State share of the foundation program to each county board.

19 **(L) (1) EXCEPT FOR SUBSECTION (K) OF THIS SECTION, THIS**
 20 **SUBSECTION APPLIES TO EDUCATION PROGRAMS THAT USE WEALTH TO CALCULATE**
 21 **STATE AID FORMULAS UNDER THIS SUBTITLE.**

22 **(2) (I) THE CALCULATIONS IN THIS PARAGRAPH APPLY ONLY TO A**
 23 **COUNTY THAT:**

24 **1. ESTABLISHES A DEVELOPMENT DISTRICT UNDER**
 25 **TITLE 12, SUBTITLE 2 OF THE ECONOMIC DEVELOPMENT ARTICLE OR ARTICLE II,**
 26 **§ 62 OF THE CHARTER OF BALTIMORE CITY AFTER MAY 1, 2016; AND**

27 **2. QUALIFIES FOR A DISPARITY GRANT UNDER § 16–501**
 28 **OF THE LOCAL GOVERNMENT ARTICLE.**

29 **(II) THE STATE DEPARTMENT OF ASSESSMENTS AND**
 30 **TAXATION SHALL CERTIFY THE ORIGINAL AMOUNT OF ASSESSABLE BASE FOR REAL**

1 PROPERTY THAT IS LOCATED IN A DEVELOPMENT DISTRICT THAT MEETS THE
 2 REQUIREMENTS IN SUBPARAGRAPH (I) OF THIS PARAGRAPH AS OF JANUARY 1 OF
 3 THE YEAR PRECEDING THE YEAR IN WHICH THE ORDINANCE OR RESOLUTION
 4 ESTABLISHING THE DEVELOPMENT DISTRICT BECOMES EFFECTIVE.

5 (III) FOR A DEVELOPMENT DISTRICT THAT MEETS THE
 6 REQUIREMENTS IN SUBPARAGRAPH (I) OF THIS PARAGRAPH AND IS STILL IN
 7 EFFECT, THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION SHALL
 8 ANNUALLY CERTIFY THE AMOUNT OF ASSESSABLE BASE FOR REAL PROPERTY THAT
 9 IS LOCATED IN THE DEVELOPMENT DISTRICT AS OF JULY 1 OF THE FIRST
 10 COMPLETED FISCAL YEAR BEFORE THE SCHOOL YEAR FOR WHICH THE
 11 CALCULATION IS MADE UNDER THIS SECTION.

12 (IV) THE DIFFERENCE BETWEEN THE AMOUNT OF ASSESSABLE
 13 BASE FOR REAL PROPERTY CERTIFIED UNDER SUBPARAGRAPHS (II) AND (III) OF
 14 THIS PARAGRAPH IS THE TAX INCREMENT FOR THE DEVELOPMENT DISTRICT.

15 (3) FOR EACH FISCAL YEAR, USING NET TAXABLE INCOME BASED ON
 16 TAX RETURNS FILED ON OR BEFORE NOVEMBER 1, STATE AID SHALL BE
 17 CALCULATED AS FOLLOWS:

18 (I) ONCE USING THE ASSESSED VALUATION OF REAL
 19 PROPERTY ESTIMATE UNDER SUBSECTION (A) OF THIS SECTION; AND

20 (II) AGAIN USING THE ASSESSED VALUATION OF REAL
 21 PROPERTY ESTIMATE UNDER SUBSECTION (A) OF THIS SECTION REDUCED BY THE
 22 SUM OF THE TAX INCREMENTS CALCULATED UNDER PARAGRAPH (2) OF THIS
 23 SUBSECTION.

24 (4) IF THE AMOUNT OF STATE AID CALCULATED UNDER PARAGRAPH
 25 (3)(II) OF THIS SUBSECTION IS GREATER THAN THE AMOUNT CALCULATED UNDER
 26 PARAGRAPH (3)(I) OF THIS SUBSECTION, THE ADDITIONAL STATE AID SHALL BE
 27 PROVIDED AS A GRANT TO THE COUNTY BOARD.

28 ~~16-305.~~

29 ~~(a) The formula used for the distribution of funds to the community colleges in~~
 30 ~~the State shall be known as the Senator John A. Cade Funding Formula.~~

31 ~~(b) (1) In this section the following words have the meanings indicated.~~

32 ~~(2) "Assessed valuation of real property" means [assessed valuation of real~~
 33 ~~property as determined for purposes of the State aid calculated under § 5-202 of this~~
 34 ~~article] THE MOST RECENT ESTIMATE MADE BY THE STATE DEPARTMENT OF~~

~~ASSESSMENTS AND TAXATION BEFORE THE ANNUAL STATE BUDGET IS SUBMITTED TO THE GENERAL ASSEMBLY OF THE ASSESSED VALUE OF REAL PROPERTY FOR STATE PURPOSES AS OF JULY 1 OF THE FIRST COMPLETED FISCAL YEAR BEFORE THE SCHOOL YEAR FOR WHICH THE CALCULATION OF STATE AID IS MADE UNDER THIS SECTION.~~

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be applicable to the calculation of payment of State aid to counties and Baltimore City for fiscal years beginning after June 30, ~~2016~~ 2017.

SECTION 3. AND BE IT FURTHER ENACTED, That:

(a) It is the intent of the General Assembly that the final recommendations of the study of the adequacy of education funding being conducted as required by Chapter 288 of 2002, as amended by Chapter 397 of 2011, and any commission that may be established to make recommendations on the adequacy study, shall consider the impact of economic development incentives in low wealth jurisdictions on State education aid, including the exclusion provided under § 5-202(l) of the Education Article as enacted by this Act.

(b) The adequacy study and any commission shall make recommendations on:

(1) whether the assessed value of tax increment financing districts should be excluded from the calculation of wealth for State education aid purposes and, if so, any limits on the exclusions that should be considered; and

(2) the continuation of the hold harmless grants established by this Act.

~~SECTION 4.~~ SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect June 1, 2016. It shall remain effective for a period of 3 years and 1 month and, at the end of June 30, 2019, with no further action required by the General Assembly, this Act shall be abrogated and of no further force and effect.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.