

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 302
Ways and Means

(Delegate Jacobs, *et al.*)

Budget and Taxation

Kent County - Property Tax Credit - Commerce Zones

This bill authorizes Kent County to grant, by law, a property tax credit for property owned by a business that obtains new, improved, or expanded premises in a commerce zone by purchasing newly constructed premises, constructing new premises, causing new premises to be constructed, or improving existing premises for occupation by the business entity. Kent County may provide, by law, for (1) the specific eligibility requirements for the tax credit; (2) any additional limitations on eligibility for the tax credit; and (3) any other provision necessary to implement the credit.

The bill takes effect June 1, 2017, and applies retroactively to taxable years beginning after June 30, 2015.

Fiscal Summary

State Effect: None.

Local Effect: Kent County property tax revenues decrease beginning in FY 2017 to the extent the property tax credit is granted. The amount of the decrease depends on the number of businesses receiving the property tax credit and the value of the property owned by these businesses.

Small Business Effect: Potential meaningful. Small businesses that qualify for the property tax credit will pay less in property taxes.

Analysis

Bill Summary: A new, improved, or expanded premises is a commercial or industrial real property, including a building or part of a building that has not been previously occupied, where a business entity locates to conduct business.

The property tax credit is equal to the following percentages of the property taxes imposed: (1) 50% for each of the first 5 taxable years; (2) 25% in taxable years 6 and 7; (3) 15% in taxable years 8 through 10; and (4) 0% for each taxable year thereafter.

Current Law: Several counties are authorized to establish property tax credits for new or expanding businesses including Calvert, Charles, Frederick, Garrett, Harford, Howard, Queen Anne's, Talbot, and Washington.

Background: The private sector accounts for almost 81% of employment in Maryland with the government sector accounting for approximately 19%. The reliance on government employment ranges from 9.7% in Talbot County to 45.5% in Somerset County, with the share in Kent County totaling 13.7%. The high reliance on government employment in Somerset County is due primarily to the location of correctional facilities in the county as well as a major State institution of higher education.

The State government accounts for 3.8% of total employment in Maryland, while local governments account for 9.7%. In Kent County, the State government accounts for 3.2% of total employment, while local governments account for 9.7%. Due to the State's proximity to the nation's capital, Maryland has a high concentration of federal employment, which accounts for 5.6% of total employment in the State. Nearly one-third of federal positions are located in Montgomery County with an additional 18.1% located in Prince George's County. Of the State's jurisdictions, St. Mary's and Harford counties have the highest reliance on federal employment, due to the location of federal military installations. In Kent County, federal employment accounts for 0.8% of total employment.

Employment growth is one indicator of an economy's overall health. The total number and the percent change in new jobs created are widely used performance measures. Total employment in Maryland from 2011 to 2016 increased by 5.8%, resulting in a gain of 140,751 jobs. The highest employment growth, on a percentage basis, occurred in Anne Arundel and Howard counties. Employment growth in Kent County fell below the State average over the five-year period, with employment increasing by 3.7% resulting in a net gain of 270 jobs.

Exhibit 1 shows employment in Maryland counties by sector, and **Exhibit 2** shows the change in employment for each county from the first quarter in 2011 to the first quarter in

2016. Additional information on the economic performance of Maryland counties can be found beginning on page 21 of the [Overview of Maryland Local Governments](#) report.

Local Fiscal Effect: Kent County property tax revenues decrease beginning in fiscal 2017, due to the bill's retroactive provision, to the extent the property tax credit is granted. The amount of the decrease depends on the number of businesses receiving the property tax credit and the value of the property owned by these businesses. The Kent County real property tax rate is \$1.022 per \$100 of assessed value for fiscal 2017. Kent County does not impose a personal property tax.

Additional Information

Prior Introductions: None.

Cross File: SB 389 (Senator Hershey) - Budget and Taxation.

Information Source(s): Kent County; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - February 13, 2017
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Exhibit 1
County Share of Total Employment by Sector
First Quarter 2016

County	Population	Private Sector	Government Sector	Federal	Government Sector	
					State	Local
Allegany	1.2%	1.1%	1.3%	0.3%	2.8%	1.2%
Anne Arundel	9.4%	10.3%	9.3%	9.0%	12.0%	8.5%
Baltimore City	10.4%	12.7%	14.3%	7.3%	35.2%	10.2%
Baltimore	13.8%	14.9%	11.5%	10.4%	11.0%	12.3%
Calvert	1.5%	0.9%	0.8%	0.1%	0.3%	1.5%
Caroline	0.5%	0.4%	0.4%	0.0%	0.2%	0.6%
Carroll	2.8%	2.3%	1.7%	0.2%	1.3%	2.7%
Cecil	1.7%	1.1%	1.3%	1.3%	0.6%	1.6%
Charles	2.6%	1.6%	2.0%	1.6%	0.6%	2.8%
Dorchester	0.5%	0.4%	0.5%	0.1%	0.8%	0.6%
Frederick	4.1%	3.9%	3.2%	2.5%	1.2%	4.5%
Garrett	0.5%	0.5%	0.3%	0.0%	0.3%	0.5%
Harford	4.2%	3.3%	4.2%	7.6%	0.6%	3.7%
Howard	5.2%	7.1%	3.5%	0.4%	1.9%	6.0%
Kent	0.3%	0.3%	0.2%	0.0%	0.2%	0.3%
Montgomery	17.3%	17.6%	18.6%	32.9%	1.3%	17.1%
Prince George's	15.1%	10.3%	18.0%	18.1%	21.1%	16.8%
Queen Anne's	0.8%	0.6%	0.5%	0.1%	0.2%	0.9%
St. Mary's	1.9%	1.4%	2.9%	6.7%	0.9%	1.6%
Somerset	0.4%	0.2%	0.6%	0.0%	2.0%	0.4%
Talbot	0.6%	0.8%	0.4%	0.1%	0.2%	0.6%
Washington	2.5%	2.8%	1.8%	0.4%	2.4%	2.4%
Wicomico	1.7%	1.8%	1.7%	0.2%	2.8%	2.1%
Worcester	0.9%	0.8%	0.7%	0.1%	0.2%	1.2%
Unallocated		3.2%	0.1%	0.3%	0.0%	0.0%
Maryland	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: *Quarterly Census of Employment and Wages*, Department of Labor, Licensing, and Regulation

Exhibit 2
Employment Growth in Maryland Counties – Over a Five-year Period
First Quarter 2011 and 2016

County	<u>Average Employment Within Jurisdiction</u>					<u>Jobs per 1,000 Residents</u>		
	1st Q 2011	1st Q 2016	Difference	% Difference	Rank	1st Q 2016	Percent of State Average	Rank
Allegany	28,671	28,748	77	0.3%	24	396.4	92.5%	10
Anne Arundel	223,062	259,896	36,834	16.5%	1	460.6	107.5%	4
Baltimore City	325,617	333,810	8,193	2.5%	22	536.8	125.3%	1
Baltimore	354,669	367,024	12,355	3.5%	16	441.6	103.1%	6
Calvert	21,027	23,276	2,249	10.7%	4	256.9	60.0%	23
Caroline	8,292	9,083	791	9.5%	7	278.8	65.1%	21
Carroll	53,100	56,459	3,359	6.3%	10	336.8	78.6%	16
Cecil	27,129	29,817	2,688	9.9%	6	291.2	68.0%	19
Charles	39,804	42,123	2,319	5.8%	12	269.8	63.0%	22
Dorchester	10,547	10,901	354	3.4%	19	336.6	78.6%	17
Frederick	89,789	97,944	8,155	9.1%	8	399.2	93.2%	9
Garrett	11,093	11,479	386	3.5%	18	389.6	91.0%	11
Harford	80,588	88,906	8,318	10.3%	5	355.2	82.9%	15
Howard	147,357	165,038	17,681	12.0%	2	526.6	122.9%	2
Kent	7,297	7,567	270	3.7%	15	382.4	89.3%	13
Montgomery	443,159	457,221	14,062	3.2%	20	439.6	102.6%	7
Prince George's	294,584	303,536	8,952	3.0%	21	333.7	77.9%	18
Queen Anne's	12,699	14,141	1,442	11.4%	3	289.2	67.5%	20
St. Mary's	41,292	42,913	1,621	3.9%	14	385.2	89.9%	12
Somerset	6,424	6,548	124	1.9%	23	254.1	59.3%	24
Talbot	17,298	18,784	1,486	8.6%	9	500.7	116.9%	3
Washington	63,034	66,316	3,282	5.2%	13	443.3	103.5%	5
Wicomico	43,198	44,702	1,504	3.5%	17	436.7	101.9%	8
Worcester	18,548	19,694	1,146	6.2%	11	382.1	89.2%	14
Unallocated	64,147	67,250	3,103	4.8%				
Maryland	2,432,425	2,573,176	140,751	5.8%		428.4	100.0%	

Note: The employment growth rate was calculated by using average quarterly employment data. Employment growth statistics represent the available jobs within a jurisdiction, not the employment status for residents of the jurisdiction.

Source: *Quarterly Census of Employment and Wages*, Department of Labor, Licensing, and Regulation