

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 695

(Anne Arundel County Delegation)

Ways and Means

Budget and Taxation

**Anne Arundel County - Property Tax - Payment in Lieu of Taxes Agreements -
Economic Development Projects**

This bill authorizes Anne Arundel County to exempt or partially exempt specified economic development projects from the county real and personal property tax under specified conditions. To qualify for the tax exemption, the owner of the economic development project and the county must enter into a payment in lieu of taxes (PILOT) agreement.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: None.

Local Effect: Anne Arundel County property tax revenues may decrease beginning in FY 2018 to the extent the county enters into PILOT agreements with economic development projects. The amount of any decrease depends on the number of economic development projects in the county and the assessed value of real and personal property of these projects. Property tax decreases will be mitigated by negotiated PILOT agreements between the county and economic development projects.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill authorizes Anne Arundel County to exempt or partially exempt an economic development project from the county real or personal property tax if (1) the owner of the economic development project demonstrates to the satisfaction of the county

executive and county council that the project is an economic development project that provides a public benefit and (2) on or before June 30, 2020, the owner of the economic development project and the county enter into a PILOT agreement, approved by ordinance of the county council. The PILOT agreements must specify (1) any amount that the owner of the economic development project must pay to the county each year in lieu of the payment of county real or personal property taxes during the term of the agreement; (2) any services that the economic development project must provide to the county each year of the term of the PILOT; (3) the term of the agreement; and (4) that each year after the expiration or termination of the agreement, full real and personal property taxes must be payable on the property. The owner of the economic development project and the county may modify any PILOT agreement entered into on or before June 30, 2020, if the modification is approved by ordinance of the Anne Arundel County Council.

An “economic development project” is defined as a real estate development project in Anne Arundel County that consists of newly constructed or rehabilitated commercial property if the property has not been the subject of a condemnation or eminent domain proceeding undertaken for purposes related to the project. A “public benefit” is defined as a unique and quantifiable service to be provided by the economic development project for the benefit of schools, public safety, or other local government services beyond that which would arise generally from a private business development project.

Current Law: PILOT is an agreement between a jurisdiction and a developer, business, or landowner that substitutes a negotiated payment for annual real estate taxes that are traditionally due on a property. PILOTs are generally applied to two categories of properties: tax-exempt properties (Class 805); and nonexempt properties (Class 806).

Class 805 properties are exempt from paying all real property taxes but under a PILOT will voluntarily agree to pay the jurisdiction a sum of money that may be calculated as a percentage of the property tax amount or to cover a share of the services the property consumes. This allows the jurisdiction to collect additional revenues to pay for the cost of services from entities that would otherwise be exempt from paying the taxes that fund services.

Class 806 properties are subject to real State, county, and municipal property taxes; however, under a PILOT, the property owner may negotiate an agreement with a jurisdiction to pay a reduced amount over a period of time as an incentive to develop in the area. Governments may enter into these agreements to spur economic development in certain areas.

In fiscal 2016, there were 405 Class 805 PILOTs statewide with a total exempt value of \$527.2 million, as shown in **Exhibit 1**. Over one-half of these PILOTs were in Baltimore City which had 233 Class 805 PILOTs with an exempt value of approximately \$228.3 million. Howard County had one Class 805 PILOT (Johns Hopkins University Applied Physics Laboratory) with an exempt value of \$190.5 million.

In fiscal 2016, there were 317 Class 806 PILOTs statewide with a total exempt value of \$882.9 million, as shown in **Exhibit 2**. Approximately two-thirds of these PILOTs were in Baltimore City which had 200 Class 806 PILOTs with an exempt value of approximately \$565.8 million. Anne Arundel County had 69 Class 806 PILOTs with an exempt value of \$110.6 million.

Exhibit 1
Properties Subject to Class 805 PILOTs
Fiscal 2016

County	Number of 805 PILOTs	Total 805 Exemption Value
Allegany	20	\$30,352,000
Anne Arundel	0	0
Baltimore City	233	228,322,201
Baltimore	0	0
Calvert	0	0
Caroline	0	0
Carroll	0	0
Cecil	1	4,341,800
Charles	0	0
Dorchester	0	0
Frederick	4	7,881,833
Garrett	1	843,300
Harford	4	21,469,700
Howard	1	190,527,300
Kent	0	0
Montgomery	0	0
Prince George's	1	9,056,800
Queen Anne's	0	0
St. Mary's	0	0
Somerset	33	19,098,700
Talbot	2	3,933,100
Washington	3	5,550,700
Wicomico	102	5,829,767
Worcester	0	0
Total	405	\$527,207,201

Source: State Department of Assessments and Taxation

Exhibit 2
Properties Subject to Class 806 PILOTs
Fiscal 2016

County	Number of 806 PILOTs	Total 806 Exemption Value
Allegany	0	\$0
Anne Arundel	69	110,589,589
Baltimore City	200	565,775,371
Baltimore	38	174,375,234
Calvert	0	0
Caroline	0	0
Carroll	0	0
Cecil	4	15,257,000
Charles	0	0
Dorchester	0	0
Frederick	1	748,600
Garrett	0	0
Harford	2	8,795,766
Howard	0	0
Kent	0	0
Montgomery	0	0
Prince George's	0	0
Queen Anne's	0	0
St. Mary's	2	7,309,367
Somerset	0	0
Talbot	0	0
Washington	0	0
Wicomico	1	0
Worcester	0	0
Total	317	\$882,850,927

Source: State Department of Assessments and Taxation

Background: The owners of the Maryland Live! Casino plan to build a hotel and conference center at the site of the casino. The hotel is expected to be about 295,000 square feet, have 307 rooms, a spa, and a café. The accompanying event center is expected to be 30,000 square feet. The total project cost is estimated at approximately

\$120 million. Anne Arundel County is seeking to use the conference center for area high school graduations and other events since there is currently no facility in the county large enough to accommodate such events.

Local Fiscal Effect: Anne Arundel County property tax revenues may decrease beginning in fiscal 2018 to the extent the county enters into PILOT agreements with economic development projects. The amount of any decrease depends on the number of economic development projects in the county and the assessed value of real and personal property of these projects. For fiscal 2017, the county real property tax rate is \$0.915 per \$100 of assessed value and the personal property tax rate is \$2.287 per \$100 of assessed value. The taxable business personal property assessable base is \$2.5 billion. Anne Arundel County is estimated to collect approximately \$696.9 million in property tax revenues in fiscal 2017.

However, any property tax revenue decrease will be mitigated by negotiated PILOT agreements between the county and economic development projects. In addition, county income tax revenues may increase to the extent that new jobs are created in the county.

Additional Information

Prior Introductions: None.

Cross File: SB 930 (Chair, Anne Arundel County Senators) - Budget and Taxation.

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

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