

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 210
Ways and Means

(Prince George's County Delegation)

Prince George's County - Abandoned Property - Special Property Tax Rate
PG 400-18

This bill requires Prince George's County to set a special property tax rate for abandoned property that is 15% greater than the tax rate for other real property. The special class of real property consists of abandoned property for which there is a record owner and includes a vacant lot or improved property that is vacant and neglected as defined by Prince George's County. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County property tax revenues may increase by a significant amount beginning in FY 2019. Under one set of assumptions, Prince George's County revenues could increase by approximately \$1.4 million annually. County expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: Title 8 of the Tax Property Article establishes the methods of property valuation and assessments and lists those classifications of property created by the General Assembly. For assessment purposes, property is divided into two classes – real property and personal property. Real property is divided into 11 subclasses and personal property is divided into 7 subclasses. The State only imposes a property tax on real property, whereas county governments impose separate tax rates for real and personal property.

State and county governments are not authorized to set separate property tax rates among different subclasses of property.

Unlike the State and county governments, municipalities have broader discretion to impose property tax rates on different classes of property. Municipalities may impose property taxes on those classes of property that it selects to be subject to the municipal property tax. In addition, municipalities retain the authority to classify property for local purposes and to impose different tax treatment on those classes. Furthermore, municipalities have the express power to exempt classes of property from taxation. Moreover, because municipalities may select the classes of property to be taxed and may set special rates for any class of property that is subject to the municipal property tax, municipalities retain the authority to levy different tax rates on selected classes of property.

Currently, five municipalities have established a separate property class for municipal property tax purposes – Cheverly, Colmar Manor, Cottage City, and North Brentwood in Prince George’s County and Pocomoke City in Worcester County. Three of the municipalities in Prince George’s County impose a separate property tax rate for commercial real property and one imposes a separate rate for multifamily residential dwellings, while Pocomoke City imposes a separate property tax rate for nonowner occupied property.

Background: The Prince George’s County fiscal 2018 real property tax rate is \$1.00 per \$100 of assessment. Prince George’s County also imposes the following tax rates: Maryland-National Capital Park and Planning Commission (\$0.294); Washington Suburban Transit Commission (\$0.026); and stormwater (\$0.054).

Local Fiscal Effect: The Prince George’s County Department of Permitting, Inspections, and Enforcement maintains a database of vacant properties that currently lists 4,939 properties in the county. Pursuant to this bill, Prince George’s County must impose a special property tax rate on vacant or neglected property that is 15% greater than the tax rate for other real property. Since the current real property tax rate is \$1.00 per \$100 of assessment, the special property tax rate for vacant and neglected property will total \$1.15 per \$100. As a result, Prince George’s County property tax revenues may increase by a significant amount beginning in fiscal 2019.

Under one set of assumptions, Prince George’s County revenues could increase by approximately \$1.4 million annually. This estimate is based on the following facts and assumptions:

- 4,939 vacant properties in Prince George’s County;
- average taxable assessment for residential properties not receiving the homestead property tax credit totals \$252,189;

- average assessment for vacant properties is 75% of the county average; and
- special property tax rate totals \$0.15 per \$100 of assessment.

Additional Information

Prior Introductions: HB 1257 of 2017 received a hearing in the House Ways and Means Committee, but no further action was taken. HB 1083 of 2016 received a hearing in the House Ways and Means Committee but was subsequently withdrawn.

Cross File: None.

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

Fiscal Note History: First Reader - January 26, 2018
mm/hlb

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510