

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 942 (Delegate Rosenberg, et al.)
Ways and Means

Baltimore Metropolitan Regional Property Tax Base Sharing

This bill creates a “commercial-industrial property” subclass of real property. A Baltimore Metropolitan Regional Property Tax Base Sharing District is created, consisting of Anne Arundel, Baltimore, Carroll, Harford and Howard counties and Baltimore City. A district tax base is created, defined as 40% of the growth of each county’s commercial-industrial property since 1996. Each county in the district is to certify to the Comptroller and the Board of Public Works the amount of revenue to be raised from its share of the district tax base. A separate tax rate is applied to the district tax base, revenues from which are deposited in the Baltimore metropolitan region property tax base sharing account. The Comptroller shall distribute funds in the account so as to meet each county’s revenue certification.

This bill is effective October 1, 1996, and applies to all taxable years beginning on or after July 1, 1997.

Fiscal Summary

State Effect: Special fund revenues and expenditures could increase by \$6,900 in FY 1997, increasing by 2% in the out-years.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
SF Revenues	\$6,900	\$7,000	\$7,200	\$7,300	\$7,500
SF Expenditures	6,900	7,000	7,200	7,300	7,500
Net Effect	\$0	\$0	\$0	\$0	\$0

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: Local revenues would not be affected, as described below. Expenditures would not be affected.

Fiscal Analysis

State Expenditures: The Office of the Comptroller would require a contractual Accountant Auditor IV for three months to deposit funds, keep records, process refunds, and audit the counties' contributions. Expenditures would increase \$6,917 for the salary and contractual fringe benefits for this position. These expenditures would be paid out of the account.

Local Revenues: Each county in the district will receive the revenue it requires to be raised from property taxation. For the purposes of this fiscal note, it is assumed that this amount is equal to current property tax rates multiplied by the tax year 1997 assessable base. Since each county will receive this amount, there is no effect on local revenues (although each county's proportionate share of the \$6,917 will be deducted from their distribution).

This bill will have an effect, however, on the revenue collected from owners of property in each county in the district. The bill effectively alters the tax rate on all real property. The tax rate on the portion of the tax base which is contributed to the district tax base would be an estimated \$4.07 per \$100 of assessed valuation in fiscal 1997. The remainder of real property would be taxed at a rate related to the county's current property tax rate. In wealthier counties, the rate would be higher; in less wealthy counties, the rate would be lower. This revenue remains in the county.

Revenue raised by taxation of the district tax base is deposited with the Comptroller. The Comptroller distributes this revenue to the counties, based on the revenue requirements they have certified to the Comptroller. Thus, taxpayers living in counties whose contribution to the district tax base is smaller than the distribution from the district tax base will pay less property tax than under current law; taxpayers in counties whose contribution to the district tax base is greater than the distribution from the district tax base will pay more property tax than under current law. Exhibit 1 shows the effect on taxpayers in each jurisdiction in the district.

Under this bill, counties will have an incentive to increase the revenue raised from property taxation relative to other methods of revenue raising. This incentive arises because revenue raised and retained by this county would remain the same, but a county would either minimize the amount of taxes paid by its taxpayers which is distributed to other counties, or maximize the amount of taxes paid by other taxpayers which are distributed to it. Because this incentive exists, this fiscal note does not provide estimates beyond fiscal 1997.

Exhibit 1
Effect of HB 942
Change in Revenue Collected from Taxpayers

Anne Arundel	\$1,771,020
Baltimore City	(4,354,748)
Baltimore	1,297,169
Carroll	131,823
Harford	163,208
Howard	991,528

Source: Department of Fiscal Services

Information Source(s): Office of the Comptroller (General Accounting Division),
Department of Fiscal Services

Fiscal Note History: First Reader - February 23, 1996

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