

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 566 (Delegate Hixson, et al.)
Ways and Means

Property Tax Credit - Businesses That Create New Jobs

This bill allows a county or municipal corporation to grant a tax credit against the real and personal property tax of a business that locates or expands within its jurisdiction.

The bill is effective July 1, 1996.

Fiscal Summary

State Effect: Potential indeterminate increase in general fund expenditures, as discussed below. No effect on revenues.

Local Effect: Potential indeterminate decrease in revenues and increase in expenditures, as discussed below.

Fiscal Analysis

Bill Summary: Major provisions of the bill are as follows:

- To qualify for the credit against the real property tax, a business must construct, lease, or otherwise expand its premises by at least 10,000 square feet and create at least 30 new permanent full time jobs.
- To qualify for a credit against the personal property tax, a business must certify that the personal property is located on a premises that qualifies for the real property tax credit.
- The credit begins at 100% of property taxes imposed in the first and second

years and phases out over six years. Similarly, the credit for leased property begins at 60% and phases out over six years.

- The bill requires the State to reimburse local jurisdictions for one half of the amount of the credits issued, but only to the extent that funds are included in the State's budget for this purpose.

State Expenditures: This bill requires the State to reimburse local jurisdictions for one half of the amount of any credits issued, but only to the extent funds are provided in the State's budget for this purpose. The cost to the State would depend upon the number of counties opting to grant the credits and the number of qualifying businesses.

Depending upon the number of credits issued, the State Department of Assessments and Taxation may need to hire a Clerk to process the reimbursements. Expenditures for the Clerk would be approximately \$24,200 in fiscal 1997. This estimate includes salary, fringe benefits, and supplies.

Local Revenues: Local real and personal property tax revenues could decrease. The magnitude of the decrease would depend upon the number of jurisdictions opting to grant the credits and the number and size of businesses qualifying for the credit.

Local Expenditures: Local jurisdictions granting the tax credits could incur some additional administrative costs in processing them. Any such costs cannot be reliably estimated at this time.

Information Source(s): Department of Assessments and Taxation, Kent County, Department of Fiscal Services

Fiscal Note History: First Reader - February 2, 1996

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