

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 330 (Senator Bromwell)
Budget and Taxation

Referred to Ways and Means

Property Tax Exemption - Continuing Care Facilities for the Aged

This amended bill extends a property tax exemption from State and local property taxes for certain property owned by a “continuing care facility for the aged”.

For property to qualify for a tax exemption, the property must be owned by the facility and used exclusively for (1) religious worship; (2) administration or providing non-profit services and activities to residents, including that part of land reasonably applicable to providing the administration, activities, or services; or (3) providing nursing care, domiciliary care, or comprehensive care, including the part of any central administrative or service facility that is reasonably allocable to the licensed health care part of the facility or the part of any land that is reasonably allocable to the licensed health care part of the facility. Independent living units not already qualifying for exemption from property taxes or property a facility rents to a commercial enterprise for the provision of ancillary services that the facility is not contractually obligated to provide would not be eligible for an exemption.

This bill is effective July 1, 1997, and is applicable to all taxable years after June 30, 1998.

Fiscal Summary

State Effect: Special fund revenues would decrease by \$18,500 beginning in FY 1999. Future revenue estimates reflect increases in the amount of property that would be exempted and a constant State property tax rate. Expenditures would not be affected.

(in dollars)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
SF Revenues	\$0	(\$18,500)	(\$32,800)	(\$32,800)	(\$32,800)
SF Expenditures	0	0	0	0	0
Net Effect	\$0	(\$18,500)	(\$32,800)	(\$32,800)	(\$32,800)

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

Local Effect: Revenues will decrease by \$238,100 beginning in FY 1999. Future revenue estimates reflect increases in the amount of property that would be exempted and constant

local property tax rates. Expenditures would not be affected.

Small Business Effect: None. This bill would not directly affect small businesses as discussed below.

Fiscal Analysis

Background: There are four continuing care facilities currently under construction that are expected to open in 1998 to which this bill would apply. These facilities are in Anne Arundel, Baltimore, Frederick, and Howard counties. Two more facilities are expected to open in Baltimore and Montgomery counties in 1999.

State Revenues: State property tax revenues are credited to the Annuity Bond Fund. In fiscal 1999, the decrease in special fund revenues based on the taxes expected from facilities that would be operational by that time would be approximately \$18,500. With the two additional facilities completed by the year 2000, the loss in revenues for fiscal 2000 and future years would be approximately \$32,800. Future year revenue decreases will depend on the number of facilities in operation, the property values of those facilities, and the State property tax rate.

Local Revenues: As shown in **Exhibit 1**, the total revenue loss to the local jurisdictions where these facilities are located in fiscal 1999 would be approximately \$238,100.

Exhibit 1
Revenue Loss to Local Jurisdictions
Fiscal 1999

	County Taxes	Municipal Taxes	Total Tax Decrease
Anne Arundel	\$27,400	\$33,800	\$61,200
Baltimore	\$79,940	\$0	\$79,940
Frederick	\$45,200	\$0	\$45,200
Howard	\$51,800	\$0	\$51,800
Total	\$204,340	\$33,800	\$238,140

As shown in **Exhibit 2**, the estimated annual decrease in revenues in fiscal 2000 and future years would be \$430,500.

Exhibit 2
Revenue Loss to Local Jurisdictions
Fiscal 2000

	County Taxes	Municipal Taxes	Total Tax Decrease
Anne Arundel	\$27,400	\$33,800	\$61,200
Baltimore	\$137,040	\$0	\$137,040
Frederick	\$45,200	\$0	\$45,200
Howard	\$51,800	\$0	\$51,800
Montgomery	\$124,176	\$11,040	\$135,216
Total	\$385,616	\$44,840	\$430,456

Future year revenue decreases will depend on the number of facilities in operation, the property values of those facilities, and local tax rates.

Small Business Effect: The Department of Fiscal Services could not identify any continuing care providers affected by this bill that are classified as small businesses (with 50 or less employees).

Information Sources: Department of Assessments and Taxation, Department of Fiscal Services

Fiscal Note History: First Reader - February 4, 1997
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