

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 316 (Delegate Frank, *et al.*)
Commerce and Government Matters

Real Property - Home Offices - Residential Use

This bill provides that a “home office” must be considered a residential use for planning and zoning purposes. A home office means an office in a dwelling unit if it occupies not more than 20% of the total floor area; is operated by one or more residents of the dwelling unit; employs no more than two individuals who are not residents of the unit; and involves activity that does not change the character of the dwelling and is conducted entirely within the dwelling unit.

Each political subdivision must adopt a planning and zoning ordinance or regulation that allows a home office in any district that is zoned for residential use.

Fiscal Summary

State Effect: None.

Local Effect: County revenues and expenditures could decrease by an indeterminate minimal amount as discussed below.

Small Business Effect: Potential meaningful impact on small businesses with home based offices as discussed below.

Fiscal Analysis

Local Effect: Zoning laws vary by jurisdiction. As a result, one county may classify home offices as business or commercial use, while another county may classify the offices as residential use. For example, home offices in Allegany County are considered a residential use.

Under the bill, a county’s zoning guidelines must allow a home office in any district that is

zoned for residential use. Accordingly, if a county currently classifies home offices as business use, it could experience a revenue loss due to lower business permit revenues. Although the potential revenue loss would vary by jurisdiction, the amount would be minimal. Any cost savings resulting from fewer investigations of home offices for violating local zoning laws would be minimal.

In addition, local governments could realize a loss in property tax revenues consistent with any changes in assessed value due to the reclassification of property from business or commercial use to residential use. The amount of any revenue loss cannot be reliably estimated at this time.

Small Business Effect: The bill requires that residential property be valued and assessed as residential property regardless of whether or not it contains a home-based office. The bill also requires each political subdivision to allow the existence of home offices. Small businesses could benefit in three ways. The first is that businesses could have reduced property taxes to the extent that residential property valuations are less than valuations for business or commercial property. The second benefit is that a small business could incur lower costs for office space resulting from the establishment of a home-based office. Third, classifying a home office for residential use could decrease the amount of zoning permit fees paid by the business.

Information Sources: Maryland Office of Planning, Prince George’s County, Montgomery County, Howard County, Baltimore City, Department of Fiscal Services

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