

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE

House Joint Resolution 1 (The Speaker. *et al.*)

Ways and Means and Appropriations

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State Property Tax Rate

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This joint resolution recommends that the Governor include sufficient funds in the fiscal 1999 State budget to allow a reduction in the State property tax rate of at least five cents. A five cent rate reduction would lower the State property tax rate from 21 cents to 16 cents per \$100 of assessed value.

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Fiscal Summary

**State Effect:** Since a joint resolution is an expression of legislative intent only, compliance is not required and revenues would not be directly affected. Should the terms of this joint resolution be met, however, State property tax revenues would decline by approximately \$58 million in FY 1999 and general fund expenditures would increase by an equivalent amount. Debt service expenditures would be unaffected.

**Local Effect:** None.

**Small Business Effect:** Potential meaningful impact on small businesses. Since a joint resolution is an expression of legislative intent only, compliance is not required and small businesses would not be directly affected. Should the terms of this joint resolution be met, however, small businesses would benefit from a decrease in State property taxes paid.

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Fiscal Analysis

**Background:** The Maryland State Constitution requires that State debt be guaranteed by the imposition of a tax. State property tax revenues are credited to the Annuity Bond Fund and dedicated to pay the debt service on State general obligation bonds. The State property tax rate is established by the Board of Public Works, which is required by statute to calculate the rate necessary to support the debt service on general obligation bonds by May 1 of each year.

The rate is set after taking into account the funds available from other sources for debt service, and then applied to the State assessable property base. Any additional funds needed for debt service are currently provided through an appropriation of general funds. The general fund allowance for debt service in the fiscal 1999 budget assumes the State property tax rate would remain at \$0.21 per \$100 of assessed value. The tax rate has remained a constant \$0.21 per \$100 of assessed value since fiscal 1982, and is applied only to the real property assessable base as the State does not assess a personal property tax. The fiscal 1999 State property tax revenue estimate is \$242 million (at the current rate).

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**Information Sources:** Department of Assessments and Taxation, Department of Legislative Services

**Fiscal Note History:** First Reader - February 2, 1998

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