

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 273 (Senators Hogan and Teitelbaum)

Budget and Taxation

Property Tax Exemptions - Biotechnology and Computer Software - Manufacturing and Research and Development

This bill repeals the partial property tax exemption for research and development property and reclassifies this property as manufacturing property for tax exemption purposes. The definition of manufacturing property is also altered to include the identification, design, or genetic engineering of biological materials for research or manufacture as well as the design, development, or creation of computer software for sale, lease, or license.

This bill is effective October 1, 1998, and is applicable to all taxable years beginning after June 30, 1999.

Fiscal Summary

State Effect: None.

Local Effect: Local revenues would decrease by \$636,000 in FY 2000. Expenditures would not be affected.

Small Business Effect: Potential meaningful impact on small businesses.

Fiscal Analysis

Local Revenues: Manufacturing equipment is fully exempt in 18 counties and 26 municipalities, and there are nine counties and four municipalities that have companies reporting property under the existing research and development tax exemption. Approximately \$10.5 million of property is exempt from county property taxes and approximately \$3.0 million is exempt from municipal taxes under the research and development exemption. The research and development exemption accelerates depreciation

to 50% of the original cost for equipment acquired after January 1, 1995.

Approximately \$17.4 million of assessed research and development property is taxed by counties, and approximately \$5.7 million is taxed by municipalities. The estimated fiscal 1997 tax yield from this property for counties was \$435,000, and the municipal tax yield in fiscal 1997 was \$42,800. It is estimated that exemption amounts are expected to increase by 10% annually due to increased property assessments.

County revenues would therefore decrease by \$579,000 and municipal revenues would decrease by \$57,000 in fiscal 2000, the first fiscal year in which the bill is effective. The total estimated revenue decrease for local jurisdictions in fiscal 2000 would be \$636,000.

This bill will not affect Frederick, Kent, Queen Anne's, or Talbot counties as these counties do not tax business personal property.

Small Business Effect: Any small businesses that may qualify for an exemption could benefit through a reduction in local property taxes paid. The amount of property taxes that an eligible small business will save depends on the amount and assessed value of the eligible property, and the local jurisdiction where the business is located.

Information Sources: Department of Assessments and Taxation, Prince George's County, Montgomery County, Department of Legislative Services

Fiscal Note History: First Reader - March 10, 1998

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