

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE  
Revised

Senate Bill 147 (Senator Hogan. *et al.*)

Budget and Taxation

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Personal Property Tax - Small Businesses

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This bill provides that personal property is exempt from valuation or taxation if the property is: (1) owned by an individual and used in connection with a business, occupation, or profession located at an individual's principal residence; and (2) the sum total of the property had a total original cost of less than \$10,000, excluding the cost of vehicles exempt under current law.

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

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Fiscal Summary

**State Effect:** None. Any changes to the procedures or regulations of the Department of Assessments and Taxation could be handled within existing resources.

**Local Effect:** Local revenues will decrease by \$2.2 million in FY 2000. Expenditures would not be affected.

**Small Business Effect:** Meaningful impact on small businesses.

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Fiscal Analysis

**Local Revenues:** It is estimated that just over 20% of all businesses, or about 31,000 business entities, currently paying local personal property taxes would be affected by this bill. Based on fiscal 1997 assessments, it is estimated that approximately \$73.8 million in personal property statewide would be affected by the exemption created by this bill. A full statewide exemption from local property taxes for this property would have decreased local

revenues by \$2.0 million, and it is estimated that the decrease will be \$2.2 million by fiscal 2000. Of that \$2.2 million, \$2.0 million would be county revenues and \$200,000 would be municipal revenues. **Exhibit 1** provides a breakdown of the fiscal 2000 reduction in county revenues.

**Small Business Effect:** Small businesses that qualify for the exemption provided by this bill will be positively affected through a reduction in property taxes paid. It is assumed that a large number of the businesses that will be affected by this exemption have 50 or fewer employees, so the majority of any decrease in property taxes paid would be realized by these businesses.

**Exhibit 1**  
**Revenue Reduction by County under SB 147**  
**Fiscal 2000**

<u>County</u>	<u>Revenue Reduction</u>
Allegheny	\$36,692
Anne Arundel	158,991
Baltimore City	526,859
Baltimore	234,988
Calvert	21,513
Caroline	11,623
Carroll	65,278
Cecil	25,322
Charles	32,264
Dorchester	11,141
Frederick	0
Garrett	26,692
Harford	91,094
Howard	72,021
Kent	0
Montgomery	220,701
Prince George's	320,137
Queen Anne's	0
St. Mary's	21,629
Somerset	11,940
Talbot	0
Washington	39,760
Wicomico	31,882
Worcester	20,509
<b>Total</b>	<b>\$1,981,036</b>

Note: Frederick, Kent, Queen Anne's, and Talbot counties do not tax business personal property.

Source: Department of Assessments and Taxation

**Information Sources:** Department of Assessments and Taxation, Carroll County, Queen Anne's County, Prince George's County, Cecil County, Harford County, Montgomery County, Department of Legislative Services

**Fiscal Note History:** First Reader - March 5, 1998  
nncs Revised - Enrolled Bill - May 12, 1998

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