

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 148 (Senator Hogan. *et al.*)

Budget and Taxation

**Property Tax Exemption - Charitable Organizations -
Abatement and Refund of Property Tax in Year of Transfer**

This bill provides that property with a value of less than \$300,000 that is exempt from property taxes and is transferred to a nonprofit charitable organization qualified under Internal Revenue Code 501(c)(3) is exempt from property taxes effective on the date that the property transfer is recorded. An organization must provide the Department of Assessments and Taxation with evidence of the property tax that it actually paid or reimbursed at the property settlement, and the amount of the property tax abated may not exceed the amount of property tax actually paid or reimbursed by an organization at settlement.

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

Fiscal Summary

State Effect: Minimal decrease in special fund revenues beginning in FY 1999. Expenditures would not be affected.

Local Effect: Significant decrease in revenues beginning in FY 1999. Expenditures would not be affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Meaningful impact on small businesses.

Fiscal Analysis

Background: Under current law, only disabled veterans, blind individuals, and governmental entities receive partial-year property tax exemptions. Property tax exemptions for other organizations are only for full taxable years. For example, if an organization buys property in January, then that property is taxable through the end of the taxable year in June. To receive a property tax exemption beginning on July 1, an organization must own the

property on June 30 and apply for an exemption by September 1. If one of these conditions is not met, then any tax exemption will not take effect until the following July 1.

State Revenues: While any actual reduction in State special fund revenues would depend on the value of any transferred property and the timing of property transfers, State special fund revenues would have decreased by approximately \$29,000 if this bill had been in effect for fiscal 1998.

Since some organizations that are eligible for tax exemptions may purchase property late in a fiscal year to avoid reimbursement of property taxes paid by the seller, the decrease in revenues may be understated. While this bill removes the incentive for organizations to delay property transfers, the amount of additional revenues that may be lost cannot be reliably estimated at this time.

Local Revenues: As with State revenues, local revenues would decrease depending on the value and timing of any property transferred. Local revenues would have decreased by approximately \$456,000 if this bill had been in effect for fiscal 1998.

Small Business Effect: This bill would positively impact qualifying organizations by allowing them to receive partial-year property tax exemptions, thus decreasing the amount of State and local property taxes paid by these organizations.

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

Fiscal Note History: First Reader - March 9, 1998
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Analysis by: Ryan Bishop	Direct Inquiries to:
Reviewed by: John Rixey	John Rixey, Coordinating Analyst
	(410) 841-3710
	(301) 858-3710