

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 629 (Delegate Klausmeier. *et al.*)

Ways and Means

Property Tax Credits - Qualified Brownfields Sites and Enterprise Zone Property

This bill provides that the property tax imposed on a property assessment used for determining an enterprise zone property tax credit will be calculated without reduction for any tax credits provided by current law, including Brownfields property tax credits. The bill also clarifies the amount of the property tax attributable to an assessment increase for purposes of calculating a Brownfields tax credit. It provides that a local taxing jurisdiction may vary the percentage of and establish additional eligibility criteria for any tax credit granted in addition to the credits and contributions provided under current law.

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

Fiscal Summary

State Effect: None. This bill codifies existing practice.

Local Effect: Potential minimal impact on local revenues beginning in FY 1999. Expenditures would not be affected.

Small Business Effect: Minimal impact on small businesses. Allowing local jurisdictions to develop additional criteria and tax rates for local Brownfields tax credits may encourage more jurisdictions to join the Brownfields program, thus encouraging small businesses owning eligible properties in those jurisdictions to apply for and receive tax credits for taxes incurred on property assessment increases.

Fiscal Analysis

Background: Under this bill, an enterprise zone property tax credit will be calculated first when a property is eligible for both an enterprise zone property tax credit and a Brownfields property tax credit. Any improvements made in an enterprise zone receive tax credits against local property taxes. These credits are for 80% of the increase in value for the first five years after the calendar year when the property becomes qualified, 70% for year six, 60% for year seven, 50% for year eight, 40% for year nine, and 30% for year ten. The State reimburses local governments for one-half of the property tax credits granted through the enterprise zone tax credit program. If a local jurisdiction elects to participate in the Brownfields program, for each of the five taxable years immediately following the first revaluation of an eligible property, the jurisdiction:

- must grant a property tax credit of 50% of the property tax attributable to the increase in assessment (including site improvements).
- must contribute 30% of the property tax attributable to the increase in assessment to the Brownfields Revitalization Incentive Fund.
- may grant a property tax credit up to an additional 20% of the remaining property tax attributable to the increase in assessment.

The tax credit may be extended an additional five years if the site is located in a designated enterprise zone.

Six local jurisdictions have joined the Brownfields program to date; these are Allegeny and Baltimore counties, and the municipalities of Colmar Manor, Cumberland, Salisbury, and Taneytown.

Local Revenues: Under this bill, local tax credit granted may not exceed an additional 20% of the remaining property tax attributable to the assessment increase of a qualified Brownfields site, including site improvements, over the assessment of the site before any cleanup. This bill could affect local revenues to the extent that local jurisdictions join the Brownfields program and develop their own criteria and tax rates (up to 20%) for the provision of any tax credits not already provided by current law. Any specific effect will depend on the number of jurisdictions opting into the program, and the criteria and tax rates for additional credits within those jurisdictions.

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

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