Department of Legislative Services

Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 374 (Delegate Gordon, *et al.*)
Ways and Means

Municipal Corporations - County Imposed Development Taxes and Fees - Prohibition

This bill prohibits a county government from imposing a development impact fee, a construction excise tax, or a similar fee or tax on new developments located in one of its municipalities if the municipality is not subject to county zoning authority.

The bill is effective July 1, 2000.

Fiscal Summary

State Effect: None.

Local Effect: Potential decrease in revenues among the ten counties that impose development taxes and fees and have municipalities inside their boundaries. Only a small portion of the FY 1999 combined $45.4 million in estimated impact fees and excise taxes on new developments would be affected by the bill. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Potential meaningful.

Analysis

Current Law: Except in certain specified situations, municipalities are subject to county laws, fees, and taxes.

Local Revenues: Eleven counties impose development taxes or fees. Howard County, though it levies a building excise tax, has no municipalities and therefore is not affected by the legislation. In the remaining ten counties there are a total of 89 municipalities, and more than half of the municipalities are located in Montgomery and Prince George's counties. In those two counties, only ten of the 46 municipalities have zoning authority that would exclude the counties from imposing development taxes under the bill's provisions. Montgomery County advises that the legislation will have no impact on the county because it does not currently impose development fees on the municipalities that have a zoning authority. In Prince George's County, only a very minimal impact is expected since the only municipality affected would be Laurel, which is already developed.

In the remaining eight counties with development fees or taxes -- Anne Arundel, Calvert, Caroline, Carroll, Charles, Frederick, Queen Anne's, and St. Mary's -- most or all of the municipalities have their own zoning commission, and therefore, these counties would lose the ability to levy development taxes inside most of the municipal boundaries. **Exhibit 1** below shows the projected fiscal 1999 yields from development fees and taxes for the eight counties. The yield is for the whole county, not just the municipalities, and a few of the municipalities do not have their own zoning commission and would continue to be taxed under the bill's provisions. Therefore, the impact of the legislation is only a fraction of the projected yield shown below. More detailed information about the exact amount of revenue the counties derive from development taxes levied on projects inside municipal boundaries is not immediately available.

Exhibit 1
Impact Fees and Excise Taxes on New Development

County	Number of Municipalities	Projected Yield from Development Fees and Taxes FY 1999
Anne Arundel	2	$14,601,769
Calvert	2	2,776,000
Caroline	10	46,000
Carroll	8	3,813,950
Charles	3	3,945,255
Frederick	11	2,945,716
Queen Anne's	6	800,000
St. Mary's	1	2,191,000

Source: Maryland Association of Counties, Budget and Tax Rate Survey, November 1998

Counties that do not currently charge a development fee or tax would be prohibited from applying one to the municipalities for which they do not provide zoning, thereby potentially foregoing future revenues.

Municipalities that have zoning authority would benefit from the legislation because, without the additional county tax, they may be able to attract more development or demand more infrastructure improvements from developers.

Small Business Effect: Small business developers and builders working with or in municipalities with zoning authority would benefit from a lack of fees and taxes on new developments. In addition, businesses and home buyers purchasing property in new developments would benefit since the fees are usually passed on through higher selling prices. If the lack of a tax in municipalities spurs development in cities and towns, existing small businesses may benefit, though they may also be forced to contend with new competition.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Association of Counties, Kent County, Montgomery County, Prince George's County, Washington County, City of Rockville, Town of Bladensburg, Department of Legislative Services

Fiscal Note History: First Reader - February 21, 2000
cm/jr

Analysis by: Mark Collins

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510