

Department of Legislative Services

Maryland General Assembly

2001 Session

FISCAL NOTE**Revised**

Senate Bill 862 (Senators Baker and Hooper)

Budget and Taxation

Ways and Means

Cecil County - Property Tax - Personal Property of Tax-Exempt Organizations

This bill exempts from Cecil County's and its municipalities' property tax any personal property of a nonprofit organization that is exempt from taxation under 501(c)(3) or (4) of the Internal Revenue Code (IRC). The property must be used for the purpose of the organization to qualify for exemption, and the total original cost of the personal property must be less than \$10,000.

Fiscal Summary

State Effect: None. The State does not impose personal property tax.

Local Effect: Beginning in FY 2003, Cecil County's and its municipalities' personal property tax revenues could decrease by approximately \$600 and \$270, respectively.

Small Business Effect: Potential minimal.

Analysis

Current Law: Personal property of nonprofit organizations is subject to property tax. The personal property tax rate in Cecil County is \$2.45 per \$100 of assessed value. The personal property tax rates of the municipalities in Cecil County range from \$0.60 to \$1.99 per \$100 of assessed value.

Background: The exempt purposes set forth in IRC 501(c)(3) are charitable, religious, educational, scientific, literary, testing for public safety, fostering national or

international amateur sports competition, and the prevention of cruelty to children or animals.

To be tax-exempt as an organization under IRC 501(c)(4), an organization must not be for profit and must be operated exclusively for the promotion of social welfare. To be considered operated exclusively for the promotion of social welfare, an organization must operate primarily to further the common good and general welfare of the people of the community.

Local Revenues: Cecil County personal property tax revenues could decrease by \$600 beginning in fiscal 2003. The Department of Assessments and Taxation estimates that there are approximately a dozen organizations with total personal property with an original cost of less than \$10,000 with assessments of \$25,000. Applying the county personal property tax rate of \$2.45 per \$100 of assessed value, the county revenue loss would be approximately \$600. The actual revenue loss depends on the assessable base beginning in fiscal 2003 and the applicable county tax rate. The bill is not effective until October 1, 2001 and, therefore, the exemption would not be effective until the following fiscal year.

Cecil County municipalities' personal property tax revenues could decrease by approximately \$270 beginning in fiscal 2003. Using a weighted average tax rate of \$1.09 per \$100 of assessed value, the revenue loss would be less than \$270. The actual revenue loss depends on the assessable base beginning in fiscal 2003 and the applicable municipal tax rate.

Additional Information

Prior Introductions: None.

Cross File: HB 1386 (Delegate Guns) – Ways and Means.

Information Source(s): Department of Assessments and Taxation, Cecil County, Department of Legislative Services

Fiscal Note History: First Reader – March 19, 2001
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