SB 863

Department of Legislative Services

Maryland General Assembly
2001 Session

FISCAL NOTE

Senate Bill 863 (Senators Baker and Hooper)
Budget and Taxation

Property Tax - Personal Property of Tax-Exempt Organizations

This bill exempts from county and municipal property taxes the personal property of nonprofit organizations that are 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.

Fiscal Summary

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

Local Effect: Local government personal property tax revenues could decrease by $3,186,000 beginning in FY 2003. ***This bill imposes a mandate on a unit of local government.***

Small Business Effect: Minimal impact for small nonprofit organizations.

Analysis

Current Law: Most personal property of nonprofit organizations is subject to property tax at a rate set by the local government. The personal property of a 501(c)(4) organization that contains and cleans up oil or other spills in the U.S. coastal and tidal waters is exempt from taxation.

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. According to the Internal Revenue Service, 16,274 IRC 501(c)(3) organizations existed in the State as of December 2000.

To be tax-exempt as an organization described in IRC 501(c)(4), an organization must not be organized 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. According to the Internal Revenue Service, 2,160 IRC 501(c)(4) organizations existed in the State as of December 2000.

All but four counties (Frederick, Kent, Queen Anne's, and Talbot) and all but three municipalities (Chesapeake Beach, Leornardtown, and Willards) impose a personal property tax. County personal property tax rates range from $5.82 to $1.74 per $100 of assessed value. Municipal personal property tax rates range from $0 to $2.60 per $100 of assessed value.

Local Fiscal Effect: Local government personal property tax revenues could decrease by $3,186,000 beginning in fiscal 2003. According to the Department of Assessments and Taxation, 1,116 organizations would be eligible for exemption with assessed personal property values totaling $138,739,080 for fiscal 2001. Assuming a local tax rate (county and municipal) of $3 per $100 of assessment, local governments' personal property tax revenues would decrease by $3,186,000 annually. The exemption would not be effective until fiscal 2003 because of the bill's October 1, 2001 effective date.

Additional Comments: One IRC 501(c)(3) entity accounts for 72% of the total assessable base above. Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. has a personal property assessment of $100,560,780. All this property is located in five counties (Anne Arundel, Baltimore City, Baltimore, Montgomery, and Prince George's) and two cities (Gaithersburg and Hyattsville). The total personal property tax revenue reduction under this bill related to Kaiser is $2,040,581, as follows:

Jurisdiction	Revenue Loss
Anne Arundel	$12,232
Baltimore City	$23,141
Baltimore	$107,811
Montgomery	$1,440,227
Prince George's	$441,527
Gaithersburg	$4,256
Hyattsville	$11,387

Additional Information

Prior Introductions: None.

Cross File: HB 1385 (Delegate Guns) – Ways and Means.

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

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ncs/jr

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