SB 805

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

Senate Bill 805 (Senators McFadden & Hoffman)
(Baltimore City Administration)
Budget and Taxation Ways and Means and Appropriations

Baltimore City - Special Tax Districts

This bill authorizes Baltimore City to designate special taxing districts, at the request of property owners, where the city will make infrastructure improvements by issuing bonds or other obligations for financing and assessing the property owners either an ad valorem or special tax to pay the principal and interest on the bonds or obligations.

The bill is effective July 1, 2001.

Fiscal Summary

State Effect: Potential increase in individual and corporate income and sales tax revenues as a result of economic development in Baltimore City.

Baltimore City Effect: Baltimore City revenues from bond proceeds for capital projects in special taxing districts would increase. City debt service expenditures and special taxing district revenues would increase by an equal amount. Potential increase in property, income, and other miscellaneous taxes.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: Baltimore City will fund the cost of infrastructure improvements, whether situated within the special taxing district or outside the district if the infrastructure improvement is reasonably related to other infrastructure improvements within the district. Costs and infrastructure improvements are defined in the bill.

A request for a special taxing district must be made by both: (1) the owners of at least two-thirds of the assessed valuation of the real property within the area; and (2) at least two-thirds of the owners of the real property.

Before issuing bonds, Baltimore City must designate an area or areas as a special taxing district, create a special fund for the district, and provide for the levy of an ad valorem or special tax on all real and personal property within the district at a rate to provide adequate revenues to pay the debt service on the bonds.

Before designating a special taxing district and issuing bonds, Baltimore City must hold a public hearing with at least ten days notice in a newspaper of general circulation. If the bonds issued constitute debt under the Maryland Constitution, the legal voters of the city must approve the bonds. Bonds issued for special taxing districts cannot constitute a general obligation debt of the city or a pledge of the city's full faith and credit.

When no bonds are outstanding, the special taxing district will terminate and any moneys remaining in the special fund will revert to Baltimore City's general fund.

Current Law: Chapter 624 of 1994 provided Baltimore City with the authority to create Tax Increment Financing (TIF) Districts. TIF is a method of public project financing whereby the increase in the property tax revenues generated by new commercial development in a specific area, the TIF district, pays for bonds issued to finance site improvements, infrastructure, and other project costs located on public property. The TIF district typically consists of a blighted area in need of economic revitalization.

State Fiscal Effect: Depending upon the number of special taxing districts designated and the scope of the projects undertaken, the resulting economic development could increase individual and corporate income taxes and sales tax revenues for the State. For example, if a hotel and various other businesses are established in renovated areas, corporate income and sales tax revenues could potentially increase significantly.

Local Fiscal Effect: With each district established there would potentially be a significant increase in property tax revenues. Property tax revenues would increase as the districts are renovated and the assessed values of the properties increase. Ad valorem or special tax revenues will increase but the increase would be used to offset the related debt service payments on bonds issued to finance the infrastructure improvements.

Depending upon the number of special taxing districts designated and the scope of the projects undertaken, the resulting economic development could also increase a variety of other revenues for the city including: individual income, hotel, and admissions and amusement taxes, and parking fee revenues.

Small Business Effect: Renovated special taxing districts would likely spawn economic development in the areas designated. This economic development could have a meaningful impact on multiple types of small businesses. It could provide renovation and building projects for existing small construction businesses or could provide incentives for the establishment of new small businesses that could locate in the renovated districts.

Additional Information

Prior Introductions: None.

Cross File: HB 1256 (Delegates Rawlings and Marriott) – Ways and Means.

Information Source(s): Department of Legislative Services

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