

SENATE BILL 98

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2002 Regular Session
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(PRE-FILED)

By: **Chairman, Budget and Taxation Committee (Departmental -
Assessments and Taxation)**

Requested: November 14, 2001

Introduced and read first time: January 9, 2002

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **State Aid - Property Values**

3 FOR the purpose of altering and clarifying the definition of real and personal
4 property in the calculation of certain State aid for police protection, education,
5 and libraries; repealing certain provisions in the library aid formula and police
6 aid formula; altering the calculation of preferentially assessed agricultural land
7 in the education aid formula; altering certain definitions; providing for the
8 application of this Act; and generally relating to the valuation of property in the
9 calculation of certain State aid formulas for police protection, education, and
10 libraries.

11 BY repealing and reenacting, with amendments,
12 Article 88B - Department of State Police
13 Section 66(a)(4)
14 Annotated Code of Maryland
15 (1998 Replacement Volume and 2001 Supplement)

16 BY repealing and reenacting, with amendments,
17 Article - Education
18 Section 5-202(a) and 23-501
19 Annotated Code of Maryland
20 (1999 Replacement Volume and 2001 Supplement)

21 BY repealing and reenacting, without amendments,
22 Article - Tax - Property
23 Section 8-101
24 Annotated Code of Maryland
25 (2001 Replacement Volume and 2001 Supplement)

26 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
27 MARYLAND, That the Laws of Maryland read as follows:

1 **Article 88B - Department of State Police**

2 66.

3 (a) As used in this subtitle:

4 (4) "Adjusted assessed valuation of real property" means[, for fiscal year
5 2000 and each fiscal year thereafter,] 100% OF THE ASSESSED VALUATION OF THE
6 OPERATING REAL PROPERTY OF PUBLIC UTILITIES, PLUS 40% of the assessed
7 valuation of ALL OTHER real property reported by the State Department of
8 Assessments and Taxation as of July 1 of the second fiscal year preceding the fiscal
9 year for which the calculation of State aid is to be made, plus 20% of new property
10 assessed between July 1 and December 31 of the second preceding fiscal year. "Real
11 property" [shall have the meaning, and assessed valuation shall be subject to the
12 adjustments for under- or over-assessment, as presently provided by § 5-202 of the
13 Education] MEANS ALL PROPERTY CLASSIFIED AS REAL PROPERTY UNDER § 8-101(B)
14 OF THE TAX - PROPERTY Article.

15 **Article - Education**

16 5-202.

17 (a) (1) In this section the following words have the meanings indicated.

18 (2) [(i)] "Assessed valuation of real property" means the most recent
19 estimate made by the State Department of Assessments and Taxation before the
20 annual State budget is submitted to the General Assembly, of the assessed value of
21 real property for State purposes as of July 1 of the first completed fiscal year before
22 the school year for which the calculation of State aid is made under this section.

23 [(ii)] In all assessable bases, for the purpose of this paragraph,
24 preferentially assessed agricultural land shall be included at 50 percent of farm use
25 valuation as determined in accordance with farm use assessment standards
26 established by the Department of Assessments and Taxation.]

27 (3) (i) "Basic current expenses" means expenditures for elementary
28 and secondary education for a fiscal year calculated as follows:

29 1. Statewide aggregate expenditures from the current
30 expense fund for administration, instruction, public school special education
31 programs, student personnel services, health services, operation of plant, and
32 maintenance of plant;

33 2. Plus statewide aggregate expenditures from the current
34 expense fund for fixed charges (including employee benefits), additional equipment,
35 and replacement equipment, to the extent these expenditures relate to the
36 expenditure categories in item 1 of this subparagraph; and

1 3. Minus the statewide aggregate of all State and federal
2 funds for elementary and secondary education supporting the expenditures in items 1
3 and 2 of this subparagraph, except the State share of basic current expenses.

4 (ii) "Basic current expenses" does not include expenditures for
5 adult education, community services, pupil transportation, capital outlay, or outgoing
6 transfers, or expenditures reported in the Food Service Fund, the Student Body
7 Activities Fund, the School Construction Fund, or the Debt Service Fund.

8 (4) "Net taxable income" means the amount certified by the State
9 Comptroller for the second completed calendar year before the school year for which
10 the calculation of State aid under this section is made, based on tax returns filed on
11 or before September 1 after this calendar year.

12 (5) "Real property" [includes:

13 (i) Any interest in land or improvements to land;

14 (ii) Land and nonoperating property of railroads and public
15 utilities; and

16 (iii) Operating property of public utilities classified as real property
17 by the Department of Assessments and Taxation.] MEANS ALL PROPERTY
18 CLASSIFIED AS REAL PROPERTY UNDER § 8-101(B) OF THE TAX - PROPERTY ARTICLE.

19 (6) "Assessed value of personal property" means the assessed valuation
20 for county purposes of [tangible personal property, railroad property, public utility
21 personal property, and public utility shares] ALL PROPERTY CLASSIFIED AS
22 PERSONAL PROPERTY UNDER § 8-101(C) OF THE TAX - PROPERTY ARTICLE.

23 (7) "Full-time equivalent enrollment" means:

24 (i) All students enrolled in grades 1 through 12 or their equivalent
25 in regular day school programs on September 30 of the previous school year;

26 (ii) One half of the number of students enrolled in kindergarten
27 programs on September 30 of the previous school year, except that in Garrett County
28 the full number of kindergarten students is included; and

29 (iii) The number of full-time equivalent students, as determined by
30 a regulation of the Department, enrolled in evening high school programs during the
31 previous school year.

32 (8) "Wealth" means the sum of:

33 (i) Net taxable income;

34 (ii) 100 PERCENT OF THE ASSESSED VALUE OF THE OPERATING
35 REAL PROPERTY OF PUBLIC UTILITIES;

1 (III) 40 percent of the assessed valuation of ALL OTHER real
2 property; and

3 [(iii)] (IV) 50 percent of assessed value of personal property.

4 (9) For calculation of State aid under this section, the percentage of
5 assessed value of personal property as of July 1 of the first completed fiscal year
6 before the school year for which the calculation is made shall be used.

7 (10) "Chapter 1 eligible count" means the number of children eligible to
8 receive services under the provisions of Chapter 1 of the Hawkins-Stafford
9 Elementary and Secondary School Improvement Amendments of 1988 as determined
10 by the U.S. Department of Education.

11 (11) "Dedicated compensatory funds" means funds allocated by subsection
12 (e)(3) of this section.

13 (12) "Basic current expenses per pupil" means the basic current expenses
14 for a fiscal year divided by the statewide full-time equivalent enrollment on
15 September 30 of the fiscal year.

16 (13) "Per pupil basic current expense figure" means:

17 (i) \$2,976 for fiscal year 1993; and

18 (ii) The average of the basic current expenses per pupil for the third
19 and fourth preceding fiscal years multiplied by 0.75 for fiscal year 1994 and for each
20 fiscal year thereafter, as calculated by the Department on or before July 1 prior to the
21 fiscal year.

22 23-501.

23 (a) In this subtitle the following words have the meanings indicated.

24 (b) [(1)] "Adjusted assessed valuation of real property" means the most recent
25 estimate by the Department of Assessments and Taxation before the State budget is
26 submitted to the General Assembly, of THE SUM OF 100 PERCENT OF THE ASSESSED
27 VALUATION OF OPERATING REAL PROPERTY OF PUBLIC UTILITIES AND 50 PERCENT
28 OF the assessed value of ALL OTHER real property for State purposes as of July 1 of
29 the first completed fiscal year before the fiscal year for which the calculation of State
30 library aid is made under this subtitle.

31 [(2) If the Department of Assessments and Taxation estimates that real
32 property in any county is assessed at other than 50 percent of market value, the
33 assessed valuation of those categories of real property that are estimated to be
34 assessed at other than 50 percent of market value, on the basis of surveys made under
35 § 2-202(12) of the Tax - Property Article that are reported on or before November 1 of
36 the first calendar year before the fiscal year for which the calculation is made, shall
37 be adjusted to 50 percent. This adjustment does not apply to public utility operating
38 property.]

1 (c) "Capital expense" means principal and interest payments, or current
2 capital spending or accumulation for:

- 3 (1) The purchase of land for libraries;
- 4 (2) The purchase and construction of library buildings;
- 5 (3) Remodeling and adding to library buildings; and
- 6 (4) The purchase of equipment and furniture for these library buildings.

7 (d) "Net taxable income" means the amount certified by the State Comptroller
8 for the second full calendar year before the fiscal year for which the calculation of
9 State library aid is made under this subtitle, based on tax returns filed on or before
10 July 1 after that calendar year.

11 (e) "Population" means population determined from figures available as of
12 July 1 of the calendar year before the fiscal year for which the calculation is made,
13 from:

- 14 (1) The latest decennial census; or
- 15 (2) Estimates prepared by the Department of Health and Mental
16 Hygiene.

17 (f) "Real property" [includes:

- 18 (1) Land and improvements to land;
- 19 (2) Land and nonoperating property of railroads and public utilities; and
- 20 (3) Public utilities operating property classified as real property by the
21 Department of Assessments and Taxation] MEANS ALL PROPERTY CLASSIFIED AS
22 REAL PROPERTY UNDER § 8-101(B) OF THE TAX - PROPERTY ARTICLE.

23 (g) "Wealth" means the sum of net taxable income and adjusted assessed
24 valuation of real property.

25 **Article - Tax - Property**

26 8-101.

27 (a) For assessment purposes, property shall be divided into classes and
28 subclasses.

29 (b) Real property is a class of property and is divided into the following
30 subclasses:

- 31 (1) land that is actively devoted to farm or agricultural use, assessed
32 under § 8-209 of this title;

- 1 (2) marshland, assessed under § 8-210 of this title;
- 2 (3) woodland, assessed under § 8-211 of this title;
- 3 (4) land of a country club, assessed under §§ 8-212 through 8-217 of this
4 title;
- 5 (5) land that is used for a planned development, assessed under §§ 8-220
6 through 8-225 of this title;
- 7 (6) rezoned real property that is used for residential purposes, assessed
8 under §§ 8-226 through 8-228 of this title;
- 9 (7) operating real property of a railroad;
- 10 (8) operating real property of a public utility; and
- 11 (9) all other real property that is directed by this article to be assessed.

12 (c) Personal property is a class of property and is divided into the following
13 subclasses:

- 14 (1) stock in business;
- 15 (2) distilled spirits;
- 16 (3) operating personal property of a railroad;
- 17 (4) operating personal property of a public utility that is machinery or
18 equipment used to generate electricity or steam for sale;
- 19 (5) all other operating personal property of a public utility;
- 20 (6) machinery and equipment, other than operating personal property of
21 a public utility, that is used to generate:
 - 22 (i) electricity or steam for sale; or
 - 23 (ii) hot or chilled water for sale that is used to heat or cool a
24 building; and
- 25 (7) all other personal property that is directed by this article to be
26 assessed.

27 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take
28 effect July 1, 2002, and shall be applicable to all payments of State aid for fiscal years
29 beginning after June 30, 2003.