

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

House Bill 137 (Delegate Marriott) (Baltimore City Administration)
 Ways and Means

Property Tax - State Grants to Local Government for Tax Exempt Real Property

This bill provides a State general fund grant to local governments in lieu of taxes for specified exempt real property. The grant would equal 77% of the real property taxes that would have been collected by the local government for the exempt real property of nonprofit hospitals and nonprofit higher educational institutions.

The bill is effective July 1, 2002 and applicable for fiscal years beginning on or after July 1, 2003.

Fiscal Summary

State Effect: General fund expenditures would increase by \$36.8 million in FY 2004. Out-year expenditures increase by 5% annually due to increases in property assessments. No effect on revenues.

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	36.8	38.6	40.5	42.6
Net Effect	\$0	(\$36.8)	(\$38.6)	(\$40.5)	(\$42.6)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: For those counties and municipalities where exempt nonprofit hospitals and nonprofit higher educational institutions are located, grant revenues will increase by \$36.8 million in FY 2004 and increase by 5% annually thereafter.

Small Business Effect: None.

Analysis

Bill Summary: The bill provides a grant to counties and municipalities where tax-exempt nonprofit hospitals and institutions of higher education are located. The grant is equal to 77% of the real property tax revenue the local government would have collected for the taxable year preceding the fiscal year if the property were subject to taxation. The bill defines nonprofit hospital as a nonprofit hospital that owns exempt real property and defines nonprofit higher educational institution as a nonprofit private college, private university, or private institution of higher education approved by the Maryland Higher Education Commission that owns exempt real property.

The bill requires the Department of Assessments and Taxation to certify to the Comptroller by May 1 of each year the assessed value of the exempt property and the amount of the State grant payable to each local government. The Comptroller is to make the grant payment by July 1 of each year.

Current Law: Current law provides an exemption from real and personal property taxation for property that is necessary and used exclusively for a charitable or educational purpose and is owned by a nonprofit hospital; a nonprofit charitable, fraternal, educational, or literary organization; or a nonprofit housing corporation. Although the property is exempt from taxation, the Department of Assessments and Taxation is still required to assess its value in the same manner as other property.

Background: The State of Connecticut has a similar grant program that reimburses its towns (Connecticut has no counties) for lost revenue from tax-exempt hospitals and colleges and universities. The grant is calculated on a portion of the revenue lost by the towns. The grant rate has changed since the program was implemented but is currently based on 77% of the assessed value of the exempt property. However, the grants are reduced proportionately if State appropriations are insufficient to fund the program at that level. The Connecticut fiscal 2003 appropriation for the program is approximately \$97 million, which is a reduced amount of 69.9% instead of 77%.

State Expenditures: General fund expenditures would increase by \$36,777,375 in fiscal 2004, the first year the grants are payable. The grant amount could increase by an estimated 5% each fiscal year thereafter as a result of increases in assessable base.

Local Revenues: In counties and municipalities where tax-exempt properties are located, revenues would increase in an amount corresponding to the increase in State general fund expenditures. **Exhibit 1** provides a schedule by county and municipality of the expected \$36.8 million grant amount for fiscal 2004. That amount is estimated to increase by approximately 5% annually due to increases in assessable base. Baltimore City would realize the largest grant amount at \$20.1 million in fiscal 2004. Where

exempt property was located in a municipality and the county reduces its tax rate for property located in that municipality, the grant amount was calculated using the reduced tax rate.

Exhibit 1
SB 160/HB 137
Exempt Property General Fund Grant
Fiscal 2004

<u>County</u>	<u>Grant Amount</u>	<u>Municipality</u>	<u>Grant Amount</u>
Allegany	\$679,615	Annapolis	\$156,171
Anne Arundel	794,419	Bel Air	157,071
Baltimore City	20,164,744	Bowie	4,358
Baltimore	1,768,266	Cambridge	70,148
Calvert	214,399	Chestertown	202,389
Caroline	0	Frederick	421,366
Carroll	875,279	Crisfield	29,664
Charles	122,645	Cumberland	488,141
Cecil	200,186	Easton	120,218
Dorchester	91,317	Elkton	87,692
Frederick	1,075,276	Frostburg	17,244
Garrett	64,397	Hagerstown	336,454
Harford	552,731	Havre De Grace	111,691
Howard	1,625,741	La Plata	41,575
Kent	470,277	Leonardtwn	24,793
Montgomery	2,059,100	Oakland	30,364
Prince George's	1,278,520	Rising Sun	394
Queen Anne's	0	Salisbury	461,937
St. Mary's	132,713	Sykesville	3,874
Somerset	41,529	Takoma Park	260,340
Talbot	145,100	Westminster	150,090
Washington	483,757		
Wicomico	757,985	Municipal Total	\$3,175,974
Worcester	3,405		
County Total	\$33,601,401		

Source: Department of Assessments and Taxation

Additional Information

Prior Introductions: None.

Cross File: SB 160 (Senator McFadden, *et al.*) – Budget and Taxation.

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

Fiscal Note History: First Reader - January 24, 2002
ncs/jr

Analysis by: Karen S. Benton

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