

**Department of Legislative Services**  
Maryland General Assembly  
2004 Session

**FISCAL AND POLICY NOTE**

House Bill 1010  
Ways and Means

(Allegany County Delegation)

Budget and Taxation

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**Allegany County - Property Tax Credit - Residential Development Property**

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This bill authorizes Allegany County and its municipal corporations to grant a property tax credit against the county or municipal corporation property tax imposed on property that has been subdivided into five or more lots for the purpose of residential development. The tax credit is equal to 100% of the tax imposed on the increase in assessment of the property when the property is first revalued following the subdivision. The tax credit does not apply to a subdivided lot that has been transferred to a new owner after the property was subdivided.

The bill takes effect June 1, 2004 and applies to all taxable years beginning after June 30, 2004.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Potential decrease in Allegany County and municipal corporation property tax revenues.

**Small Business Effect:** Minimal.

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**Analysis**

**Current Law:** Allegany County and municipal corporations are not authorized to grant a property tax credit similar to the one proposed by the bill.

**Background:** When property is subdivided, statute requires that the property be assessed out-of-cycle so that a new value may be created for each parcel that the property is subdivided into. The property which had been valued as a single parcel of land would now be revalued as vacant residential lots, each capable of supporting a dwelling. The ability to support a dwelling and the number of dwellings which can be supported on a property is what gives value to vacant residential land. When a subdivision occurs under current law, the land owner is required to pay increased taxes for each of the vacant residential building sites.

**Local Fiscal Effect:** The bill only affects Allegany County and its municipalities to the extent that the county and municipal governments choose to grant a tax credit as provided by the bill. There would be a loss of potential increased property tax revenues from the assessment increase. However, the extent of any revenue decrease that could result cannot be reliably estimated and depends on the number of properties that are subdivided, the increased value of each new parcel, and the local tax rate.

The bill would not result in a decrease of current revenue levels because the tax credit applies to the tax imposed on the increased assessment only. Once a parcel is sold, the new owner is responsible for all property taxes.

Allegany County anticipates the creation of 75-100 new properties resulting from the subdivision of existing parcels over the next three years. These properties could be eligible for the tax credit to the extent that it is authorized by the county or its municipalities.

In December 2002, a 10.9 acre parcel of land valued at \$43,700 was subdivided into 18 smaller parcels. The value of the 18 parcels is \$737,640. Under the bill the original owner would owe property tax on \$43,700 and would receive a credit for the tax on the difference of \$693,940. The Allegany County tax rate is \$1.00 per \$100 of assessment. Under the bill the county would collect \$437 in property taxes, and the owner would receive a credit of \$6,939.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** State Department of Assessments and Taxation, Allegany County, Department of Legislative Services

**Fiscal Note History:** First Reader - March 1, 2004  
n/hlb

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