

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

**FISCAL AND POLICY NOTE**

Senate Bill 788

(Senator Hafer)

Budget and Taxation

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**Municipal Corporations - Personal Property Tax Exemption - Pulp Mills**

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This bill exempts three categories of personal property from the municipal corporation property tax if the personal property is owned by a paper manufacturer operating a pulp mill plant or facility. Specifically, the bill exempts business stock property, manufacturing property, and raw materials and products property.

The bill takes effect July 1, 2004.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Significant reduction in personal property tax revenues for the Town of Luke. Expenditures are not directly affected.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** Personal property that is categorized as business stock property (inventory), manufacturing property, and raw materials and products property is subject to the municipal corporation property tax unless exempted in full or in part by the governing body of the municipal corporation by law.

**Background:** The bill only affects the personal property of the mill, owned by MeadWestvaco, in the Town of Luke. The mill employs approximately 1,200 people.

The Town of Luke is one of only four jurisdictions in the State that taxes manufacturing personal property. The Town of Luke has a population of 80 residents and has the highest per capita general fund revenues of any municipality in Maryland at \$6,478 in fiscal 2002. This amount is significantly higher than the per capita general fund revenues in Cumberland (\$815) and Frostburg (\$733).

**Local Fiscal Effect:** The bill exempt business stock property (inventory), manufacturing property, and raw materials and manufactured products from municipal personal property tax if the property is owned by a paper manufacturer operating an integrated pulp and paper facility.

The Town of Luke is the only municipality in the State affected by the bill. The town grants an exemption for raw materials, manufactured products, and business stock property. The town currently grants a 60% exemption for manufacturing personal property.

The total personal property assessment for MeadWestvaco in the Town of Luke was \$120,821,260 for fiscal 2002, \$164,260,100 for fiscal 2001, and \$214,261,330 for fiscal 2000. These figures include property which would still be taxable under this bill. However, because the bill affects only a single property owner, the State Department of Assessments and Taxation cannot provide the assessment for the exempted property due to confidentiality restrictions. For fiscal 2004, the personal property tax rate in Luke is \$0.62 per \$100 of assessed value.

For tax year 2004, it is estimated that MeadWestvaco will pay approximately \$509,000 in taxes to the Town of Luke. Under the bill, it is estimated that MeadWestvaco's municipal property tax payments could be reduced by approximately \$276,000. Property taxes paid by MeadWestvaco account for approximately 90% of the Town of Luke's annual budget.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1283 (Allegany County Delegation) – Ways and Means, is listed as a cross file but the bills are not identical.

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

**Fiscal Note History:** First Reader - March 2, 2004  
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