

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 159

(Chairman, Ways and Means Committee)

(By Request – Departmental – Assessments and Taxation)

Ways and Means

Budget and Taxation

Property Tax - Exemptions

This departmental bill provides that if real property that is subject to an exemption from the property tax is transferred to another person and the use of the property continues to qualify for an exemption from the tax, the owner of the property has until September 1 of the following taxable year to apply to the Department of Assessments and Taxation (SDAT) for an exemption.

The bill also provides that if personal property that is subject to an exemption from the property tax is transferred to another person and the use of the property continues to qualify for an exemption from the tax, the owner of the property may apply to SDAT for an exemption within six months after receipt of the first assessment notice.

The bill takes effect October 1, 2004 and applies to all taxable years beginning after December 31, 2004.

Fiscal Summary

State Effect: The bill would not materially affect State finances.

Local Effect: None.

Small Business Effect: SDAT has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law: Purchasers of exempt real and personal property must apply to SDAT in order to continue receiving the tax exemption on that property.

Purchasers of nonexempt real property must apply for an exemption by September 1.

The law does not provide a date by which an application must be made by purchasers of nonexempt personal property.

Background: Real property may be exempt from taxation for many reasons such as use by a charitable, religious, or educational entity, or being owned by a unit of government. There are also various classifications of personal property that are exempt from taxation including personal property used in manufacturing, farm implements, livestock, some bank property, and raw materials. Some personal property tax exemptions are automatic, but others, such as the exemption for manufacturing personal property, require an application to be submitted to SDAT. The exemption for real property also requires an application to be filed by the following September 1. When real or personal property which has been receiving an exemption is transferred to new owners, the owners may not know that they must apply to SDAT to continue to receive the exemption. In the case of personal property, if a business is purchased, the old entity no longer exists. Therefore, the personal property tax (usually manufacturing personal property) would no longer be eligible for an exemption. The new owners of the real property would have received a tax bill in July. The bill gives them until September 1 to apply for an exemption for the tax bill which was just received.

Assessments for real property are sent out in July of each year. Assessments for personal property are sent throughout the year. The assessment notice and tax bill serve as notice to the owner that an exemption application must be filed in order to continue receiving the exemption.

It is estimated that the bill would affect approximately 50 businesses and 35 real property accounts per year.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 30, 2004
ncs/hlb Revised - Enrolled Bill - May 4, 2004

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