

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

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 749

(Senator Giannetti)

Budget and Taxation

Ways and Means

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**Municipal Corporations - Special Taxing Districts - Public Safety**

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This bill authorizes municipal corporations in Maryland to create special taxing districts within their corporate limits for the purpose of financing capital and operating costs to enhance police, fire protection, and rescue services.

The bill takes effect July 1, 2004.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Municipal revenues would increase due to taxes levied on real and personal property in the special taxing district. Municipal expenditures would increase to finance operational and capital improvement costs to enhance police, fire protection, and rescue services in the special taxing district.

**Small Business Effect:** Potential meaningful.

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**Analysis**

**Current Law:** Municipal corporations, including Baltimore City, are authorized to create special taxing districts to finance infrastructure improvements such as storm drainage systems, public parking facilities, or pedestrian malls and improvement and maintenance of street and area lighting. However, municipal corporations do not have the authority to create special taxing districts for the purpose of enhancing police, fire protection, and rescue services.

**Background:** There are 156 municipalities in Maryland. Baltimore City and Howard County are the only jurisdictions in Maryland that do not have any municipalities.

**Local Fiscal Effect:** Under the provisions of the bill, municipalities could begin imposing a special tax on all real and personal property beginning on July 1, 2004 to support fire, police protection, and rescue services in the special taxing district. Accordingly, municipal revenues would increase beginning in fiscal 2005 due to special taxes assessed in the taxing districts. Municipal expenditures would increase beginning in fiscal 2005 to finance capital and operating costs of enhanced police, fire protection, and rescue services in the special taxing district. Any amount of revenue generated in the special taxing district would depend on the tax rate imposed in the special taxing district and changes in the assessable base of real and personal property in the district.

To the extent that a municipality exercises its authority to create special taxing districts and it performs its own tax billing and collection functions, expenditures would increase; however, any increase in these costs would be offset by the taxes authorized by the bill. Additionally, a county that performs billing functions for real and personal property taxes in the county's municipalities could incur minimal, nonrecurring increases in expenditures to implement new taxes associated with special taxing districts established by municipalities in the jurisdiction; however, these expenditures are assumed to be minimal and could be handled with existing resources.

Since the bill is only enabling legislation, municipalities could opt not to create special taxing districts for enhanced police, fire protection, and rescue services; accordingly, finances in these municipalities would not be affected.

**Small Business Effect:** Small businesses in special taxing districts would be negatively impacted as their underlying operating costs would increase either through increased property taxes or through higher rents as increased property taxes would be passed on by property owners to small businesses. Small businesses could absorb the higher operational costs or raise prices on their goods and services to cover any additional expenses associated with the special district tax. However, small businesses could be positively impacted as increased police, fire protection, and rescue services could improve the area and attract customers to their businesses.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None, although HB 590 is identical.

**Information Source(s):** Town of Berlin, City of Rockville, City of Frostburg, City of College Park, Prince George's County, Maryland Municipal League, Town of Bladensburg, Department of Legislative Services

**Fiscal Note History:** First Reader - February 12, 2004  
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Analysis by: Christopher J. Kelter

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510