

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 220

(Chairman, Ways and Means Committee)

(By Request – Departmental – Assessments and Taxation)

Ways and Means

Budget and Taxation

Property Tax - Exemptions - Property on Military Installations

This departmental bill exempts property or an interest in property owned by the federal government or the State under specified conditions. For property to be exempt, the federal government must hold at least a 50% interest in that property, or the entity that owns that property, and the property must be: (1) situated on land that is owned by the federal government and located within the boundaries of a military installation; and (2) used for national defense purposes or to house military personnel and their families. The bill also alters the definition of national defense to include homeland security for the purpose of State property tax exemptions provided for by the bill.

The bill takes effect June 1, 2005 and applies to all taxable years beginning after June 30, 2005.

Fiscal Summary

State Effect: None. The bill is not expected to affect any property that is currently taxable.

Local Effect: None. The bill is not expected to affect any property that is currently taxable.

Small Business Effect: The State Department of Assessments and Taxation 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: Government owned property is not subject to the property tax. However, private interests on government owned property are subject to the property tax, except for the following: interests in federal or State property used for manufacturing for national defense purposes and research and development for national defense purposes.

Background: In recent years public/private partnerships have been undertaking various construction projects on military installations, including a major effort to rebuild military housing. Exemptions already exist for private interests involved in manufacturing and research and development for national defense related purposes. This bill extends the exemptions to include housing on military bases. There is one joint venture currently underway that calls for the renovation, demolition, and construction of housing at Fort Meade in Anne Arundel County. Under this agreement, a private company will build new homes, demolish obsolete homes, maintain and repair more recently constructed homes, and care for homes that have been designated historic properties. The project is estimated to cost \$2 billion and take place over a 50-year period. While this bill provides a major tax exemption, at this time, no portion of the Fort Meade housing project has been placed on the tax rolls. Therefore, the bill does not exempt any property currently classified as taxable property on the assessment records in Anne Arundel County.

There is also a plan for a public/private partnership for military housing at Fort Detrick in Frederick County. There is also a project pending which will include a public/private joint venture for housing for naval stations through the Mid-Atlantic, which could include National Air Station Patuxent River in St. Mary's County, Naval Surface Weapons Center Indian Head in Charles County, and Naval Station Annapolis in Anne Arundel County. This arrangement should be completed in 2005.

There are military installations in several counties including, Anne Arundel, Charles, Frederick, Harford, Prince George's, and St. Mary's that could be the sites of public/private construction ventures in the future.

Public/private partnerships are increasingly being used for construction projects on military installations. As a result, the buildings and equipment used in these projects may be fully or partially owned by for-profit entities. Under the bill the property involved would not be subject to the property tax. However, no currently taxable property is expected to be exempt under the bill.

The State real property tax rate is \$0.132 per \$100 of assessed value. All State property tax revenues are credited to a special fund, the Annuity Bond Fund, dedicated exclusively to paying the debt service on State general obligation bonds. Local governments generally have the authority to set their own property tax rates.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 1, 2005
mll/hlb Revised - House Third Reader - March 22, 2005

Analysis by: Michael Sanelli

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