

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 524

(Senator Colburn)

Budget and Taxation

Dorchester County - Personal Property Tax - Exemption

This bill authorizes Dorchester County and its municipal corporations to reduce, by law, the percent of the assessment of personal property, other than operating personal property of a public utility. If enacted by the county or municipal corporation, the exemption must be phased out over a 10-year period, beginning after enactment. Finally, the bill repeals a provision of law authorizing Dorchester County to grant, by law, a property tax credit against the county property tax imposed on personal property.

The bill takes effect July 1, 2005.

Fiscal Summary

State Effect: None.

Local Effect: Potential significant reduction in local government revenues in Dorchester County. Assuming county and municipal assessment reductions are enacted in FY 2006, revenues could decrease by approximately \$275,350 in FY 2007 and by \$1.1 million in FY 2010. Revenues would decrease annually as the assessment of personal property is phased out.

Small Business Effect: Meaningful.

Analysis

Bill Summary: If a reduction in the assessment of specified personal property is enacted by Dorchester County or its municipal corporations, the bill requires the assessment of personal property to be phased out over a specified time period, as shown in **Exhibit 1**.

Exhibit 1 Phase-out of Personal Property Tax Assessment

<u>Fiscal</u>	<u>Percent Taxable</u>
Year 1	90%
Year 2	80%
Year 3	70%
Year 4	60%
Year 5	50%
Year 6	40%
Year 7	30%
Year 8	20%
Year 9	10%

Current Law: Dorchester County is authorized to grant, by law, a property tax credit against the county property tax imposed on personal property.

Local Fiscal Effect: The bill authorizes a phase-out of the assessment of personal property, except for operating personal property of a public utility, over a nine-year period. The bill as currently drafted, however, does not fully phase out the assessment of personal property, but keeps the assessment at 10% of its value. **Exhibits 2 through 4** show the current assessable personal property tax base estimates, the assessable base as the assessment is phased out, and the resulting revenue loss for fiscal 2007 through 2010, assuming enactment by the county and municipal corporations. As shown, local revenues could decrease by \$275,355 in fiscal 2007. The annual revenue loss could exceed \$2.8 million if the assessment is fully phased out beginning July 1, 2015.

Exhibit 2
Estimated Assessable Personal Property Base

<u>Jurisdiction</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
Dorchester County	\$57,613,000	\$58,189,130	\$58,771,021	\$59,358,732
Cambridge	49,341,574	49,834,990	50,333,340	50,836,673
East New Market	271,112	273,823	276,561	279,327
Hurlock	39,854,240	40,252,783	40,655,311	41,061,864
Secretary	1,498,247	1,513,230	1,528,362	1,543,646
Vienna	244,946	247,395	249,869	252,368
Eldorado	970	979	989	999
Church Creek	60,482	61,087	61,697	62,314
Galestown	22,853	23,082	23,312	23,546
Brookview	770	777	785	793

Exhibit 3
Estimated Assessable Base, After Assessment Reduction

<u>Jurisdiction</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
Dorchester County	\$51,851,700	\$46,551,304	\$41,139,715	\$35,615,239
Cambridge	44,407,417	39,867,992	35,233,338	30,502,004
East New Market	244,001	219,058	193,593	167,596
Hurlock	35,868,816	32,202,226	28,458,717	24,637,118
Secretary	1,348,423	1,210,584	1,069,854	926,187
Vienna	220,451	197,916	174,909	151,421
Eldorado	873	784	692	599
Church Creek	54,434	48,869	43,188	37,389
Galestown	20,568	18,465	16,319	14,127
Brookview	693	622	550	476

Exhibit 4
Revenue Loss Resulting from Assessment Reduction

<u>Jurisdiction</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
Dorchester County	-\$134,238	-\$271,161	-\$410,809	-\$553,223
Cambridge	-83,387	-168,442	-255,190	-343,656
East New Market	-434	-876	-1,327	-1,788
Hurlock	-55,796	-112,708	-170,752	-229,946
Secretary	-1,199	-2,421	-3,668	-4,940
Vienna	-265	-534	-810	-1,090
Eldorado	0	-1	-1	-2
Church Creek	-21	-43	-65	-87
Galestown	-15	-30	-45	-61
Brookview	0	-1	-1	-2
Total	-\$275,355	-\$556,218	-\$842,670	-\$1,134,795

Small Business Effect: Small businesses in Dorchester County that have personal property could realize a reduction in personal property tax payments if an assessment reduction is enacted. As noted previously, total personal property tax revenues in the county and its municipalities could decrease by \$275,355 in fiscal 2007, \$1.1 million in fiscal 2010, and by more than \$2.8 million if the assessment is fully phased out. As the assessment is phased out, the amount of taxes paid will decrease accordingly.

Additional Comments: A similar bill, HB 585, has been introduced at the 2005 session that phases in a total exemption for personal property, other than operating personal property of a public utility, from the county and municipal property tax in Dorchester County. The exemption is phased in over a 10-year period, beginning July 1, 2006. The bill also repeals a provision of law authorizing Dorchester County to grant, by law, a property tax credit against the county property tax imposed on personal property.

SB 524, as currently drafted, does not fully phase out the tax on personal property, but keeps taxation on 10% of the value of personal property in the ninth and subsequent years.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 9, 2005
ncs/hlb

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