

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 585

(Dorchester County Delegation)

Ways and Means

Budget and Taxation

Dorchester County - Personal Property Tax - Exemption

This bill authorizes Dorchester County 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, 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 assessment reductions are enacted in FY 2006, revenues could decrease by approximately \$134,200 in FY 2007 and by \$553,200 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, 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-in of Personal Property Tax Exemption

| | <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% |
| Year 10 | 0% |

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 10-year period. **Exhibit 2** shows 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. As shown, local revenues could decrease by \$134,200 in fiscal 2007. The annual revenue loss could exceed \$1.4 million if the assessment is fully phased out beginning July 1, 2015.

Exhibit 2
Impact on Dorchester County Revenues

| <u>Base</u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009</u> | <u>FY 2010</u> |
|----------------------------------------|----------------|----------------|----------------|----------------|
| Personal Property | \$57,613,000 | \$58,189,130 | \$58,771,021 | \$59,358,732 |
| Personal Property Base After Exemption | \$51,851,700 | \$46,551,304 | \$41,139,715 | \$35,615,239 |
| Revenue Loss | -\$134,238 | -\$271,161 | -\$410,809 | -\$553,223 |

Small Business Effect: Small businesses in Dorchester County that have personal property will realize a reduction in personal property tax payments. As noted previously, total personal property tax revenues in the county and its municipalities are expected to decrease by \$134,238 in fiscal 2007, \$553,223 in fiscal 2010, and by more than \$1.4

million when the tax is fully phased out. As the tax is phased out, the amount of taxes paid will decrease accordingly.

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 - February 25, 2005
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