

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 561
Ways and Means

(Frederick County Delegation)

Budget and Taxation

Frederick County - Building Excise Tax - Road Projects

This bill repeals the requirement that the Frederick County Commissioners receive State matching funds before expending building excise tax revenues for improvements on State highways. Instead, the county commissioners must obtain matching funds from other sources before building excise tax revenues can be used for a road project on State highways.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: None.

Local Effect: A portion of Frederick County general fund expenditures for public road facilities could be funded with building excise tax revenues. County revenues would not be affected.

Small Business Effect: None.

Analysis

Current Law: The Frederick County Commissioners are authorized to impose a building excise tax for public road facilities; and an impact fee for the capital costs of additional or expanded public works, improvements, and facilities required to accommodate new construction or development. If a building excise tax is imposed, the county commissioners may not impose an impact fee for financing public road facilities.

The authority to impose a building excise tax was granted under Chapter 690 of 2001 and the authority to impose an impact fee was granted under Chapter 468 of 1990.

The county commissioners must provide matching funds for capital projects for public road facilities before expending funds from the development road improvement fund (building excise tax revenues). For a project on a State highway, the county commissioners must receive matching funds from the State before expending funds from the development road improvement fund.

Background: Chapter 690 of 2001 authorizes the Frederick County Commissioners to impose a building excise tax for financing public road facilities. The law requires the county commissioners to conduct a comprehensive study of the impact of the building excise tax on the Frederick County economy and submit the results of the study and recommendations to the Frederick County Senators and Delegates on or before January 1, 2006. The law specifies the following exemptions from the building the excise tax: (1) construction in municipal corporations that is subject to a municipal tax for public road facilities; (2) construction intended to be actively used for farm or agricultural use; and (3) residential construction for a single family residence existing on July 1, 2001 that increases the square footage of the building by less than 100% of the existing permitted square footage. The county commissioners may grant additional building excise tax exemptions.

Building Excise Taxes and Impact Fees in Frederick County

In fiscal 2005, Frederick County collected \$2.2 million in building excise taxes for public road facilities and \$12.4 million in impact fees for public schools and libraries. **Exhibit 1** shows the amount of revenue collected from the building excise tax and the public school and library impact fees in fiscal 2002 through 2005. **Exhibit 2** shows the building excise tax rate for fiscal 2006 and the average cost to a property owner on a 2,500 square foot dwelling. **Exhibit 3** shows the impact fee rates for fiscal 2006.

Exhibit 1
Building Excise Tax and Impact Fee Revenues

<u>Fiscal</u>	<u>Roads</u>	<u>Schools</u>	<u>Libraries</u>	<u>Total</u>
2002	\$494,729	\$9,473,661	\$761,647	\$10,730,037
2003	1,704,915	8,219,228	548,805	10,472,948
2004	2,133,119	10,606,754	666,561	13,406,434
2005	2,181,762	11,579,590	839,358	14,600,710

Exhibit 2
Residential Building Excise Tax Rate for Roads – Fiscal 2006

First 700 Sq. Ft.	\$0
Second 700 Sq. Ft.	\$0.10 per Sq. Ft.
Over 1,400 Sq. Ft.	\$0.25 per Sq. Ft.
Tax Amount of 2,500 Sq. Ft. Dwelling	\$345

Exhibit 3
Impact Fee Tax Rates – Fiscal 2006

<u>Dwelling Type</u>	<u>School Rate</u>	<u>Library Rate</u>
Single Family Detached	\$9,956	\$531
Town House – Duplex	\$6,754	\$496
Other (Condo/Apartment)	\$1,880	\$334

Local Fiscal Effect: For a project on a State highway, the county commissioners must receive matching funds from the State before expending excise tax revenues. Due to this requirement, the county has had to use county general funds rather than the excise tax revenues for State highway projects where the State has not participated in the funding. Current examples include the design of the Route 26/Route 15 interchange, Route 85, and the Meadow Road/Route 170 interchange. Basically, any State highway project that the county wants to prefund must be from the county general funds and not with any building excise tax revenues. Pursuant to this legislation, a portion of Frederick County general fund expenditures for public road facilities could be funded with building excise tax revenues.

Additional Information

Prior Introductions: A similar bill, HB 1370 of 2005, was reported favorably with amendments from the House Ways and Means Committee and passed the House. The bill was referred to the Senate Budget and Taxation Committee, but no action was taken.

Cross File: None.

Information Source(s): Maryland Department of Transportation, Frederick County,
Department of Legislative Services

Fiscal Note History: First Reader - February 21, 2006
ncs/hlb

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