

**Department of Legislative Services**  
 Maryland General Assembly  
 2006 Session

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

House Bill 172 (Chairman, Ways and Means Committee)  
 (By Request – Departmental – Assessments and Taxation)

Ways and Means Budget and Taxation

**Property Tax - Exemptions - Bus Passenger Shelters**

This departmental bill provides a property tax exemption for bus passenger shelters constructed by a private entity under an agreement with the State, a county, a municipal corporation, or a public senior higher education institution.

The exemption only applies if any advertising on a bus passenger shelter complies with applicable local regulations and master plan requirements and the advertising does not contain any lighting. In a residential neighborhood, the bus passenger shelter cannot contain any advertising.

The bill takes effect July 1, 2006.

**Fiscal Summary**

**State Effect:** State special fund revenues could decrease by approximately \$15,800 for FY 2007 through 2009. Beginning in FY 2010, revenues could decrease by \$23,800 annually. The State does not currently receive property tax revenues from the taxation of bus passenger shelters. No effect on expenditures.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
SF Revenue	(\$15,800)	(\$15,800)	(\$15,800)	(\$23,800)	(\$23,800)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$15,800)	(\$15,800)	(\$15,800)	(\$23,800)	(\$23,800)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** Local property tax revenues could decrease by approximately \$184,200 for FY 2007 through 2009. Beginning in FY 2010, revenues could decrease by \$242,200 annually. Local governments do not currently receive property tax revenues from the taxation of bus passenger shelters. No effect on expenditures.

**Small Business Effect:** The State Department of Assessments and Taxation (SDAT) 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.)

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## **Analysis**

**Current Law:** Except in certain circumstances, private interests in government property are subject to property taxation. Accordingly, a private entity that constructs and operates bus passenger shelters, even under an agreement with a governmental entity, is subject to property taxation. Bus passenger shelters constructed and operated by governmental entities are exempt from property taxation.

**Background:** Chapter 131 of 2005 authorized a transit operator or a municipal corporation or a county with a transit system operating within its borders to enter into an agreement with a private entity to construct, operate, and maintain bus passenger shelters on a State right-of-way. In exchange for constructing, maintaining, and operating the shelters, the private entity is allowed to sell advertising on the shelter. The advertising revenues are then shared between the private entity, the local jurisdiction, and the Maryland Department of Transportation. However, due to the private interest in government owned property, these bus shelters and the land that they are located are taxable under the law.

The bill would exempt the private interest in these shelters from property taxation as SDAT has determined the taxable status of the shelters to be an unintended consequence of Chapter 131.

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.

**State Fiscal Effect:** The bill could result in a State special fund revenue decrease of approximately \$15,800 annually, in fiscal 2007, and increasing to \$23,800 beginning in fiscal 2010, based on the following information:

- the Mass Transit Administration (MTA) has entered into a contract with Viacom to construct a minimum of 300 new advertising bus shelters; all shelters will be constructed by December 31, 2006;
- under the Montgomery County Advertising Bus Shelter Franchise Agreement, there will be 200 bus passenger shelters built by summer 2006; 500 total shelters will be built by calendar 2009;

- under a public/private partnership between Prince George’s County and Clear Channel, 100 bus shelters have been constructed;
- SDAT indicates the assessed value of each shelter would be \$20,000; and
- the State property tax rate is \$0.132 per \$100 of assessed value.

**Exhibit 1** shows the estimated State and local (by jurisdiction) property tax revenue decrease, based on current MTA and Viacom plans for the bus shelter locations, as well as the Montgomery and Prince George’s counties programs. It should be noted that 169 shelters have already been constructed in Baltimore City and 120 have been constructed in Montgomery County. Currently, State and local governments do not receive property tax revenues from the taxation of bus passenger shelters, since most of these facilities have been constructed and operated by governmental entities.

The fiscal and policy note to SB 158 (Chapter 131 of 2005) did not reference any corresponding increase in State and local property taxes as a result of the enactment of the bill. Accordingly, State and local governments should not have expected to receive any additional property tax revenues as a result of private entities constructing and operating bus passenger shelters. SDAT contends that the taxation of bus passenger shelters is an unintended consequence of Chapter 131.

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**Exhibit 1**  
**Estimated Annual State and Local Property Tax Revenue Decrease**  
**Exemption for Bus Passenger Shelters**

	<u>State Taxes</u>	<u>Baltimore City</u>	<u>Baltimore County</u>	<u>Anne Arundel County</u>	<u>Montgomery County</u>	<u>Prince George’s County</u>	<u>Total Local Taxes</u>
Anticipated Number of Shelters	600	222	57	21	200	100	
Estimated Taxable Value Per Shelter	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	
Total Assessed Value	12,000,000	4,440,000	1,140,000	420,000	4,000,000	2,000,000	
Current Tax Rate per \$100	<u>0.132</u>	<u>2.308</u>	<u>1.115</u>	<u>\$0.931</u>	<u>0.967</u>	<u>1.319</u>	
<b>Estimated Revenue Decrease</b>	<b>(\$15,840)</b>	<b>(\$102,475)</b>	<b>(\$12,711)</b>	<b>(\$3,910)</b>	<b>(\$38,680)</b>	<b>(\$26,380)</b>	<b>(\$184,156)</b>

Note: The agreement in the Baltimore Metropolitan Region requires 300 shelters minimum; the number of shelters shown is based on current MTA and Viacom plans, subject to change.

Five-hundred total shelters will be built in Montgomery County by fiscal 2010.

Source: Maryland Department of Transportation; State Department of Assessments and Taxation; Montgomery County; Prince George’s County; Department of Legislative Services

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To the extent that more bus shelters are constructed under public/private partnerships in future years, State property tax revenues would decrease accordingly.

**Local Fiscal Effect:** Local government property tax revenues in Baltimore City and Anne Arundel, Baltimore, Montgomery, and Prince George's counties could decrease by approximately \$184,200 in fiscal 2007, as shown in Exhibit 1 and increasing to \$242,200 in fiscal 2010. To the extent that more bus shelters are constructed under public/private partnerships in future years, local property tax revenues would decrease accordingly.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** State Department of Assessments and Taxation, Maryland Department of Transportation (Mass Transit Administration), Department of Legislative Services

**Fiscal Note History:** First Reader - February 3, 2006  
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