

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

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

Senate Bill 202

(Cecil County Senators)

Budget and Taxation

Rules and Executive Nominations

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**Property Taxes - Churches in Cecil County - Dwellings**

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This bill authorizes Cecil County or its municipalities to grant a property tax credit against the county or municipal property tax on property owned by a religious group or organization and is used as a dwelling by an employee of the group or organization.

The bill takes effect June 1, 2006 and applies to all taxable years beginning after June 30, 2006.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Cecil County revenues could decrease by \$2,000 in FY 2007 and by \$3,100 in FY 2011. Expenditures would not be affected.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** Cecil County and its municipalities are authorized to grant a property tax credit for property owned by the Upper Chesapeake Watershed Association that is used to: • assist in the preservation of a wild nature area • establish a nature reserve or other protected area or • promote conservation.

**Background:** Rectories, convents, and parsonages are exempt from property taxes. However, a dwelling used by an employee other than a minister, priest, or nun is not

eligible for a tax credit. This credit could be applied to employees of a religious group or organization including office staff, music directors, religious education directors and staff, janitorial staff, caretaker staff, business managers, and lay ministers if they live in property owned by the religious group or organization.

There have been several court cases pertaining to this issue. In 1982, in the cases of *Supervisor of Assessments of Baltimore County v. Trustees of Bosley Methodist Church Graveyard*, and *Supervisor of Assessments of Baltimore County v. St. John's United Church of Christ*, the Maryland Court of Appeals ruled that a caretaker's home on church grounds is not eligible for a property tax exemption. In both of these cases, it was argued that the caretaker provided maintenance and security for the church's property.

In addition, in 1973 the Maryland Tax Court ruled in *Ballad et ux v. Supervisor of Assessments of Baltimore County* that property does not become constitutionally exempt merely because it is owned by a religious organization. In the case of the *Trustees of the First Baptist Church of Silver Spring, Maryland v. Supervisor of Assessments of Montgomery County* the Maryland Court of Special Appeals ruled in 1981 that a residence owned by a church and used by the music minister would not qualify for a property tax exemption.

**Local Fiscal Effect:** The State Department of Assessments and Taxation indicates that there are two properties in Cecil County that could qualify for this credit. The first is owned by the River City Baptist Church and is occupied by a couple who indicate that they do some maintenance work for the church. The tax year 2007 assessment on the property is \$89,843. The second property is owned by Hopewell Cemetery Association of Cecil County. The property surrounds Hopewell Methodist Church and has a tax year 2007 assessment of \$112,336.

Based on this information, Cecil County property tax revenues could decrease by approximately \$1,981 in fiscal 2007, as shown in **Exhibit 1**. This amount is expected to increase to approximately \$3,100 by fiscal 2011 as assessments increase. Also, to the extent that more properties become exempt as a result of the bill, the county revenues would decrease accordingly.

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**Exhibit 1**  
**Effect on Cecil County Property Tax Revenues**  
**Fiscal 2007 – 2011**

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
<b><u>River City Baptist Church</u></b>					
Assessment	\$89,843	\$104,706	\$119,570	\$134,434	\$149,298
Tax Rate	0.9800	0.9800	0.9800	0.9800	0.9800
Revenue Decrease	(880)	(1,026)	(1,172)	(1,317)	(1,463)
<b><u>Hopewell Cemetery</u></b>					
Assessment	112,336	125,450	138,564	151,678	164,792
Tax Rate	0.9800	0.9800	0.9800	0.9800	0.9800
Revenue Decrease	(1,101)	(1,229)	(1,358)	(1,486)	(1,615)
<b>Total Decrease</b>	<b>(\$1,981)</b>	<b>(\$2,256)</b>	<b>(\$2,530)</b>	<b>(\$2,804)</b>	<b>(\$3,078)</b>

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**Additional Information**

**Prior Introductions:** This bill was introduced as SB 458/HB 571 in the 2005 session. SB 458 passed the Senate; the House Ways and Means Committee took no action on either bill.

**Cross File:** Although not designated as a cross file, HB 17 is identical.

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

**Fiscal Note History:** First Reader - February 23, 2006  
ncs/hlb Revised - Senate Third Reader - April 7, 2006

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