

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

Senate Bill 512

(Senator Pipkin)

Budget and Taxation

Ways and Means

Queen Anne's County - Property Tax Credits - Commercial Investment and
Economic Development

This bill authorizes Queen Anne's County to grant, by law, a property tax credit for real property owned by a business that meets specified criteria related to real property improvements of a nonresidential structure and employment. The county is authorized to further define, fix, or limit the amount, terms, scope, and duration of any credit authorized.

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

Fiscal Summary

State Effect: None.

Local Effect: Potential decrease in Queen Anne's County property tax revenues. The amount of the decrease depends on the number of businesses that qualify for the credit and the value of improvements made. No effect on local expenditures.

Small Business Effect: Potential meaningful. To the extent that small businesses qualify for the tax credit, they would realize a reduction in county property tax payments.

Analysis

Bill Summary: In order to be eligible for the property tax credit, a business must: (1) make significant real property improvements in the county, including construction,

reconstruction, rehabilitation, or expansion of a nonresidential structure; and (2) employ at least 25 new additional full-time employees. In the year following the real property improvement, the amount of the tax credit is limited to a certain percentage of the county property tax imposed on the increased assessment as shown below:

<u>Taxable Year</u>	<u>Percent</u>
First	80%
Second	60%
Third	40%
Fourth	20%
Fifth and Later	0%

Current Law: Queen Anne’s County and its municipalities must grant a property tax credit for property that is not used for a commercial purpose and is owned by: (1) the Ingleside Community Group; (2) the Lions Club of Kent Island, Maryland, Inc.; (3) the Price Community Club, Incorporated; (4) the Ruthsburg Community Club, Incorporated; (5) the Sudlersville Community Betterment Club, Incorporated; (6) the Templeville Community Association, Incorporated; (7) the William T. Roe Memorial Range; or (8) the Kent Island Volunteer Fire Department, Incorporated.

Queen Anne’s County is required to grant a property tax credit for real property that is: (1) owned by the Maryland Jaycees, Incorporated; and (2) used as the principal office of the organization.

Queen Anne’s County is authorized to grant a property tax credit for real property that is: (1) owned by the Wildfowl Trust of North America, Inc.; and (2) is used solely for the maintenance of a natural area for public use; a sanctuary for wildlife; the environmental education of the public; scientific research in ornithology; or the general management of wildlife.

Local Fiscal Effect: To the extent that Queen Anne’s County enacts the credit authorized by the bill, county property tax revenues could decrease. The amount of the decrease depends on the number of businesses that qualify for the credit and the value of improvements made.

The State Department of Assessments and Taxation indicates that in Queen Anne’s County for fiscal 2006, 623 properties have commercial improvements, 244 vacant parcels have a commercial zoning, 16 properties have industrial improvements, and 11 vacant parcels have industrial zoning. For fiscal 2006, the average commercial assessment, for improved properties, is \$570,000 and the average industrial assessment,

for improved properties, is \$1.96 million. **Exhibit 1** shows the effect of the credit on each \$500,000 of increased assessment, over the four-year period of the credit.

Exhibit 1
Effect of Credit for Each \$500,000 of Increased Assessment

<u>Credit Year</u>	<u>Credit Percentage</u>	<u>Tax Rate</u>	<u>Value of Credit</u>
First Year	80%	\$0.87	\$3,480
Second Year	60%	0.87	2,610
Third Year	40%	0.87	1,740
Fourth Year	20%	0.87	870
Fifth Year	0%	0.87	0

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 23, 2006
ncs/hlb

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510