

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1183
Ways and Means

(Calvert County Delegation)

Budget and Taxation

Calvert County - Property Tax Credits - Economic Development

This bill authorizes Calvert County to grant, by law, a property tax credit against the county property tax imposed on real property owned by an expanding or new business that meets specified criteria. The credit may be granted to an expanding or new business engaged in the generation of electricity against the county tax imposed on personal property and real property owned by the expanding or new business.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: None.

Local Effect: Potential decrease in Calvert County property tax revenues. The amount of the decrease depends on the number of businesses that qualify for the credit and the value of the land, improvements to the land, or equipment acquired. Expenditures would not be affected.

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, the new or expanding business must: (1) employ at least 25 new additional full-time employees, the salaries for which must be greater than the county annual average salary in the economic

development target market sector, as determined by the county; and (2) acquire at least \$2.5 million in land, improvements to the land, or equipment in the county.

The tax credit must be granted to: (1) a business that owns the land and building it occupies within the county or any party responsible for paying the real property tax on all or part of the land or building.

The tax credit may not exceed 50% of the amount of property tax due in any taxable year. Calvert County may define, fix, or limit the amount, terms, scope, and duration of any credit provided.

Current Law: Calvert County is authorized to grant a property tax credit imposed on a building that is located on land that qualifies for an agricultural use assessment and used in connection with an activity that is recognized as an approved agricultural activity. The county is also authorized to grant a property tax credit on real property that is: (1) owned by the Huntingtown Volunteer Fire Department and Rescue Squad, Incorporated and leased to the U.S. Postal Service for use as a post office; (2) owned by the Calvert Post No. 85, the American Legion Department of Maryland, Incorporated; and (3) owned by members of volunteer fire and rescue companies.

Local Fiscal Effect: To the extent that Calvert 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 the land, improvements to the land, or equipment acquired.

The State Department of Assessments and Taxation (SDAT) indicates that in Calvert County for fiscal 2006, 517 properties have commercial improvements, 218 vacant parcels have a commercial zoning designation, 79 properties have industrial improvements, and 74 vacant parcels have an industrial zoning designation. For fiscal 2006, the average commercial assessment, for improved properties, is \$789,315 and the average industrial assessment, for improved properties, is \$664,799. There is also a significant public utility operating base in Calvert County due to the Calvert Cliffs Nuclear Plant and Cove Point LNG Facility. **Exhibit 1** shows the effect of the credit on each \$2.5 million of land, improvements to land, or equipment acquired.

Exhibit 1
**Effect of Credit for Each \$2.5 million Value of Land, Improvements to Land, or
Equipment Acquired**

	<u>Land or Equipment</u>	<u>Tax Rate</u>	<u>Amount of Credit</u>	<u>Revenue Decrease</u>
Real Property	\$2,500,000	\$0.892	50%	\$11,150
Personal Property	\$2,500,000	\$2.230	50%	\$27,875

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 27, 2006
mam/hlb Revised - House Third Reader - March 28, 2006

Analysis by: Michael Sanelli

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