

Department of Legislative Services  
Maryland General Assembly  
2007 Session

FISCAL AND POLICY NOTE

House Bill 581  
Ways and Means

(Delegate Pena-Melnyk, *et al.*)

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**Municipal Corporation Property Tax - Property Used for Student Housing**

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This bill makes property that is leased from the State and used to provide student housing at public colleges and universities taxable for municipal property tax purposes unless exempted by the municipality.

The bill takes effect June 1, 2007 and is applicable to taxable years beginning after June 30, 2007.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Local property tax revenues in three municipalities could increase by at least \$150,000 beginning in FY 2008, assuming a property tax exemption is not granted. Municipal expenditures would not be affected.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** The types of property exempt from local taxation are enumerated in statute. Exemptions apply to State property taxation as well. The major exemptions from the local property tax on real property include:

- local, State, and federal government property;
- property of religious organizations;

- cemeteries and mausoleums;
- nonprofit hospitals;
- portions of continuing care facilities for the elderly;
- property of charitable, fraternal, and educational institutions;
- property of national veterans' organizations;
- homes of disabled veterans' and blind individuals (partial exemption) and their surviving spouses;
- property of historical societies and museums;
- property owned by certain taxpayers engaged in building, operating, and managing nonprofit multifamily units, subject to local government approval; and
- property owned by fire companies, rescue squads, community water corporations, and housing authorities.

**Background:** Chapter 515 of 2005 exempted property that is leased from the State and used to provide student housing at public colleges and universities from State and local property taxes. Chapter 515 authorized a college and university to negotiate a payment in lieu of taxes agreement (PILOT) with the affected municipality or county.

Chapter 515 is limited to public/private partnerships on State-owned land and allows for-profit entities to enter into agreements to construct and manage student housing for the University System of Maryland. Property which is not involved in a public/private partnership with a nonprofit entity would be deemed taxable. Chapter 515 exempts property which would be otherwise taxable due to a for-profit use of State-owned land.

**Local Fiscal Effect:** Pursuant to this legislation, student housing that is operated by an entity under a lease agreement with the State would be subject to municipal property taxation, unless exempted by the municipality. The State Department of Assessments and Taxation (SDAT) has identified student housing at four institutions that would be affected by the bill: Allegany College in Cumberland; Frostburg State University in Frostburg; University of Maryland, College Park in College Park; and Salisbury University in Salisbury. However, the bill may apply to other universities as well.

**Exhibit 1** shows the estimated real property assessments and property taxes for student housing units located in College Park, Cumberland, and Salisbury. Salisbury University has negotiated a payment-in-lieu-of-taxes agreement with the city that equals approximately one-half of the municipal taxes owed for the property.

The City of College Park has estimated that, for fiscal 2007, it will not collect \$16,991 in municipal property taxes for student housing on property leased by Southern Management Corporation from the University of Maryland (Graduate Gardens

Apartments). The City of College Park has sent letters to the University of Maryland requesting to begin negotiations of a payment-in-lieu of taxes agreement; however, an agreement has not been reached between the parties involved.

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**Exhibit 1**  
**Estimated Assessable Base and Municipal Revenue Increase**  
**Student Housing at Affected Institutions**  
**Fiscal 2008-2011**

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	
<b>Estimated Property Assessment</b>					
College Park	\$7,761,000	\$9,146,533	\$10,532,067	\$11,917,600	
Cumberland	5,683,166	5,775,000	5,866,834	5,958,668	
Frostburg	na	na	na	na	
Salisbury	19,674,199	21,042,100	22,410,000	23,777,901	
<b>Potential Municipal Revenue Increase</b>					
	<u>Tax Rate</u>				
College Park	\$ 0.2990	\$23,205	\$27,348	\$31,491	\$35,634
Cumberland	0.9479	53,871	54,741	55,612	56,482
Frostburg	0.5500	na	na	na	na
Salisbury	0.7290	143,425	153,397	163,369	173,341

Source: SDAT; City of College Park; Department of Legislative Services

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Assuming a property tax exemption is not granted and accounting for the existing PILOT agreement with Salisbury, local property tax revenues in three municipalities could increase by at least \$150,000 beginning in fiscal 2008. Information for the City of Frostburg is not currently available. As shown in **Exhibit 2**, the additional property tax revenues in each municipality represents less than 1% of current property tax collections.

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**Exhibit 2**  
**Municipal General Fund Revenues**  
**Fiscal 2005**

<u>Municipality</u>	<u>Population</u>	<u>Property Tax Revenues</u>	<u>Total Revenues</u>
College Park	25,171	\$3,947,200	\$9,773,782
Cumberland	20,915	7,600,471	12,660,650
Frostburg	7,958	1,327,121	3,303,542
Salisbury	26,295	13,657,009	22,182,144

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** State Department of Assessments and Taxation, City of College Park, Maryland Higher Education Commission, University System of Maryland, Department of Legislative Services

**Fiscal Note History:** First Reader - February 16, 2007  
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Analysis by: Michael Sanelli

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