

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

House Bill 1422

(Chair, 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 local government, or a public senior higher education institution.

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

Fiscal Summary

State Effect: State special fund revenues could decrease by \$13,400 annually beginning in FY 2008. The State does not currently receive property tax revenues from the taxation of bus passenger shelters. No effect on expenditures.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
SF Revenue	\$13,400	\$13,400	\$13,400	\$13,400	\$13,400
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$13,400	\$13,400	\$13,400	\$13,400	\$13,400

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

Local Effect: Local property tax revenues could decrease by \$181,000 annually beginning in FY 2008. 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.

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 \$0.112 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 at least \$13,440 annually, beginning in fiscal 2008, 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;
- under the Montgomery County Advertising Bus Shelter Franchise Agreement, 200 bus passenger shelters will be built;
- 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 \$0.112 per \$100 of assessed value.

Exhibit 1 shows the estimated State and local (by jurisdiction) property tax revenue decrease, based on current bus shelter locations. Currently, these shelters are not assessed and as a result the 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 for 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.

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

	<u>State</u>	<u>Baltimore City</u>	<u>Baltimore County</u>	<u>Anne Arundel County</u>	<u>Montgomery County</u>	<u>Prince George's County</u>
Number of Shelters	600	222	57	21	200	100
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	<u>0.112</u>	<u>2.288</u>	<u>1.100</u>	<u>0.918</u>	<u>0.916</u>	<u>1.319</u>
Revenue Decrease	(\$13,440)	(\$101,587)	(\$12,540)	(\$3,856)	(\$36,640)	(\$26,380)

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.

Source: Maryland Department of Transportation; State Department of Assessments and Taxation; Department of Legislative Services

SDAT also advises that bus shelters are also located in Aberdeen, Annapolis, College Park, Colmar Manor, District Heights, Gaithersburg, Glenarden, Greenbelt, Hyattsville, Ocean City, and Rockville. To the extent that these and other 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, Anne Arundel, Baltimore, Montgomery, and Prince George's counties could decrease by at least \$181,000 beginning in fiscal 2008, as shown in Exhibit 1. To the extent that other current and future bus shelters are constructed under public/private partnerships, local property tax revenues would decrease accordingly.

Additional Information

Prior Introductions: HB 172 of 2006, a similar bill, received a favorable with amendments report by the House Ways and Means Committee and passed the House. The bill was amended by the Senate Budget and Taxation Committee and passed the Senate. An agreement between the two chambers was not reached.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Caroline County, Calvert County, Howard County, Montgomery County, Prince George's County, Maryland Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader - March 21, 2007
ncs/jr

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