

**Department of Legislative Services
Maryland General Assembly
2007 Session**

FISCAL AND POLICY NOTE

House Bill 143
Ways and Means

(Queen Anne's County Delegation)

Budget and Taxation

**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 employment and real property improvements of a nonresidential structure. 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, 2007 and applies to all taxable years beginning after June 30, 2007.

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: 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; (3) the Price Community Club; (4) the Ruthsburg Community Club; (5) the Sudlersville Community Betterment Club; (6) the Templeville Community Association; (7) the William T. Roe Memorial Range; or (8) the Kent Island Volunteer Fire Department.

Queen Anne’s County is required to grant a property tax credit for real property that is: (1) owned by the Maryland Jaycees; 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; 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 2007, 629 properties have commercial improvements, 246 vacant parcels have a commercial zoning, 17 properties have industrial improvements, and 9 vacant parcels have industrial zoning. For fiscal 2007, the average commercial assessment, for improved properties, is \$638,940 and the average industrial assessment, for improved properties, is approximately \$2.3 million. In fiscal 2006, 623 properties had commercial improvements, 244 vacant parcels had a commercial zoning,

16 properties had industrial improvements, and 11 vacant parcels had industrial zoning. The average commercial assessment, for improved properties, was \$570,000 and the average industrial assessment, for improved properties, was \$1.96 million for fiscal 2006.

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%	\$0.80	\$3,200
Second Year	60%	0.80	2,400
Third Year	40%	0.80	1,600
Fourth Year	20%	0.80	800
Fifth Year	0%	0.80	0

Additional Information

Prior Introductions: This bill was introduced as SB 512 in 2006. The bill received a favorable report from the Senate Budget and Taxation Committee and passed the Senate. The bill was amended by the House Ways and Means Committee and passed the House. An agreement was not reached by the two chambers.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Property Tax Assessment Appeals Board, Queen Anne's County, Department of Legislative Services

Fiscal Note History: First Reader - February 19, 2007
ncs/hlb

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