

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

House Bill 106 (Delegate Feldman)
 Ways and Means

State Property Tax Exemption - Nonprofit Swim Clubs

This bill provides a State property tax exemption for property owned by a nonprofit swim club that is used exclusively to provide a recreational outlet for the local community.

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

Fiscal Summary

State Effect: Special fund revenues could decrease by approximately \$136,700 in FY 2008 and by \$211,800 in FY 2012. The decrease could require either: (1) an increase in the State property tax rate; or (2) a general fund appropriation, in order to cover debt service on the State’s general obligation bonds. Out-years reflect increasing assessments.

| (in dollars) | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
|--------------|-------------|-------------|-------------|-------------|-------------|
| SF Revenue | (\$136,700) | (\$163,300) | (\$185,000) | (\$198,400) | (\$211,800) |
| Expenditure | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Effect | (\$136,700) | (\$163,300) | (\$185,000) | (\$198,400) | (\$211,800) |

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Chapter 446 of 2006 authorized local governments to grant, by law, a property tax credit against the property tax imposed on a nonprofit swim club that uses its facilities exclusively to provide a recreational outlet for a local community. Local governments are authorized to provide, by law, for the amount and duration of the credit and any other provision necessary.

The State property tax rate is \$0.112 per \$100 of assessment.

Background: If a swimming pool is owned by a community and every member of the community has access to the pool and other associated property, the State Department of Assessments and Taxation (SDAT) does not place an assessed value on the pool. The value of the pool is assumed in the value of each property that has an interest in the pool.

SDAT has identified 134 properties in 11 counties that are owned by nonprofit swim clubs that could be eligible for the tax credit. These counties include Allegany, Anne Arundel, Baltimore, Calvert, Carroll, Charles, Harford, Howard, Montgomery, Prince George's, and Washington. The real property assessment on these properties total \$122.1 million in fiscal 2008 and \$189.1 million in fiscal 2012.

State Fiscal Effect: Based on current assessments, a property tax exemption for nonprofit swim clubs could decrease State property tax revenues for the Annuity Bond Fund by approximately \$136,700 in fiscal 2008 and by \$211,800 in fiscal 2012. **Appendices 1 and 2** show the property tax assessments and the corresponding revenue decrease from a property tax exemption for eligible property in fiscal 2008 through 2012.

Debt service payments on the State's general obligation bonds are paid from the Annuity Bond Fund. Revenue sources for the fund include State property taxes, premium from bond sales, and repayments from certain State agencies, subdivisions, and private organizations. General funds may be appropriated directly to the Annuity Bond Fund to make up any differences between the debt service payments and funds available from property taxes and other sources. The fiscal 2008 State budget allowance appropriates \$692.7 million for GO bond debt service costs, of which \$43.5 million are from the general fund and \$649.2 million are special funds from the Annuity Bond Fund.

To offset the reduction in State property tax revenues, general fund expenditures could increase in an amount equal to the decrease in the Annuity Bond Fund revenues or the State property tax rate would have to be increased in order to meet debt service payments. This assumes that the Annuity Bond Fund does not have an adequate fund balance to cover the reduction in State property tax revenues.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 6, 2007
nas/hlb

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Appendix 1
Local Swim Clubs – Real Property Assessments
Fiscal 2008-2012

| <u>County</u> | <u>Number of Swim Clubs</u> | <u>FY 2008</u> | <u>FY 2009</u> | <u>FY 2010</u> | <u>FY 2011</u> | <u>FY 2012</u> |
|-----------------|---------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Allegany | 2 | \$168,566 | \$182,032 | \$195,500 | \$209,500 | \$223,500 |
| Anne Arundel | 7 | 4,625,609 | 5,738,770 | 6,790,070 | 7,248,568 | 7,726,142 |
| Baltimore | 24 | 18,525,108 | 19,868,268 | 21,211,435 | 22,139,064 | 23,065,693 |
| Calvert | 1 | 156,940 | 184,980 | 213,020 | 225,000 | 236,980 |
| Carroll | 4 | 1,903,465 | 2,181,464 | 2,459,465 | 2,737,466 | 3,015,467 |
| Charles | 2 | 17,487,999 | 22,973,266 | 25,048,200 | 27,123,134 | 29,198,068 |
| Harford | 6 | 3,525,561 | 3,847,792 | 4,170,025 | 4,492,258 | 4,814,491 |
| Howard | 32 | 15,654,313 | 16,687,647 | 17,720,993 | 18,754,339 | 19,787,685 |
| Montgomery | 50 | 55,526,849 | 69,422,848 | 82,375,106 | 88,971,502 | 95,567,898 |
| Prince George's | 5 | 3,847,553 | 3,971,916 | 4,096,280 | 4,220,644 | 4,345,008 |
| Washington | 1 | <u>667,066</u> | <u>772,132</u> | <u>877,200</u> | <u>982,268</u> | <u>1,087,336</u> |
| Total | 134 | \$122,089,029 | \$145,831,115 | \$165,157,294 | \$177,103,743 | \$189,068,268 |

Source: State Department of Assessment and Taxation

Appendix 2
Local Swim Clubs – Decrease in State Property Tax Revenues
Fiscal 2008-2012

| <u>County</u> | <u>Number of Swim Clubs</u> | <u>FY 2008</u> | <u>FY 2009</u> | <u>FY 2010</u> | <u>FY 2011</u> | <u>FY 2012</u> |
|-----------------|---------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Allegany | 2 | (\$189) | (\$204) | (\$219) | (\$235) | (\$250) |
| Anne Arundel | 7 | (5,181) | (6,427) | (7,605) | (8,118) | (8,653) |
| Baltimore | 24 | (20,748) | (22,252) | (23,757) | (24,796) | (25,834) |
| Calvert | 1 | (176) | (207) | (239) | (252) | (265) |
| Carroll | 4 | (2,132) | (2,443) | (2,755) | (3,066) | (3,377) |
| Charles | 2 | (19,587) | (25,730) | (28,054) | (30,378) | (32,702) |
| Harford | 6 | (3,949) | (4,310) | (4,670) | (5,031) | (5,392) |
| Howard | 32 | (17,533) | (18,690) | (19,848) | (21,005) | (22,162) |
| Montgomery | 50 | (62,190) | (77,754) | (92,260) | (99,648) | (107,036) |
| Prince George's | 5 | (4,309) | (4,449) | (4,588) | (4,727) | (4,866) |
| Washington | 1 | <u>(747)</u> | <u>(865)</u> | <u>(982)</u> | <u>(1,100)</u> | <u>(1,218)</u> |
| Total | 134 | (\$136,740) | (\$163,331) | (\$184,976) | (\$198,356) | (\$211,756) |

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