

Department of Legislative Services  
Maryland General Assembly  
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 1026

(Senator Currie)

Budget and Taxation

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Prince George's County - Property Tax - Credit for Property Used as a Business  
Incubator

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This bill authorizes Prince George's County to grant, by law, a property tax credit for property that is used as a "business incubator" if the State, county, municipality, specified tax exempt organization, public institution of higher education, or an agency or instrumentality of the same (1) owns, controls, or leases the space that is used as a business incubator; (2) provides at least 50% of the funding received by the business incubator from all sources not including rents received from incubator tenant firms; or (3) is represented on the governance board that authorizes the annual budget of the business incubator.

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:** Prince George's County property tax revenues could decrease by \$661,000 in FY 2008 and \$1.0 million by FY 2012. No effect on county expenditures.

**Small Business Effect:** Potential meaningful.

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## Analysis

**Bill Summary:** A business incubator is defined as a program in which units of space are leased by multiple early-stage businesses that share physical common space, administrative services and equipment, business management training, mentoring, and technical support.

**Current Law:** Prince George's County does not grant a property tax credit for property used as a business incubator.

**Background:** When there is a private interest in government-owned property, the property is taxable under Section 7-211 of the Tax-Property Article. Property that is owned by a government entity or agency and leased to a start-up company as a business incubator is subject to State and local property taxes. Property that is privately owned and leased to the government and then leased to be used as a business incubator is also subject to State and local property taxes.

**Local Fiscal Effect:** Prince George's County property tax revenues could decrease by \$661,000 in fiscal 2008 as shown in **Exhibit 1** and \$1.0 million by fiscal 2012, assuming a 100% tax credit. The Department of Business and Economic Development and the State Department of Assessments and Taxation indicate that three business incubators are currently located in Prince George's County. Exhibit 1 shows the name and location of each business incubator and the property tax assessment for the tax year beginning July 1, 2007, to the extent that it can be identified, and the resulting county property tax revenues for fiscal 2008. To the extent more properties become exempt, revenues would decrease accordingly.

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### Exhibit 1 Business Incubators in Prince George's County and Estimated Property Tax Revenue Decrease in Fiscal 2008

<b>Incubator</b>	<b>Current Assessment</b>	<b>County Tax Rate</b>	<b>County Revenue</b>
Prince George's County Technology Assistance Center	15,574,032	1.3190	(205,421)
Technology Advancement Program at UMD Business and Technology Growth Center at University Town Center	Exempt	1.3190	0
	34,538,400	1.3190	(455,561)
<b>Total</b>	<b>\$50,112,432</b>		<b>(\$660,983)</b>

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**Small Business Effect:** Small businesses using property located in a business incubator could realize reduced county property taxes which would reduce their operating expenditures.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** State Department of Assessments and Taxation, Prince George's County, University System of Maryland, Department of Legislative Services

**Fiscal Note History:** First Reader - March 18, 2007  
mll/hlb

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