

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE
Revised

House Bill 327

(Delegate Feldman, *et al.*)

Ways and Means

Budget and Taxation

Property Tax - Credit for Property Used as a Publicly Sponsored Business
Incubator

This bill authorizes local governments to provide a local property tax credit for property that is used as a “business incubator” if the State, a county, a municipality, a specified tax exempt organization, a 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.

Local governments are authorized to provide for (1) the amount and duration of the credit; (2) additional eligibility criteria; (3) regulations and procedures for the application and uniform processing of requests for the credit; and (4) any other provision necessary to carry out the credit.

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

Fiscal Summary

State Effect: None.

Local Effect: County property tax revenues could decrease by \$2.0 million in FY 2008 and \$2.7 million by FY 2012 to the extent property tax credits are granted. Expenditures would not be affected.

Small Business Effect: Potential meaningful.

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: 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: County property tax revenues could decrease by \$2.0 million in fiscal 2008, as shown in **Exhibit 1** and by \$2.7 million in fiscal 2012. The Department of Business and Economic Development and the State Department of Assessments and Taxation indicate that there are currently 27 business incubators in Maryland. 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 State and local property tax revenues for fiscal 2008. To the extent more properties become exempt, revenues would decrease accordingly.

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

Additional Information

Prior Introductions: Similar bills were introduced in 2006 as SB 633 and HB 252. The Senate Budget and Taxation Committee and the House Ways and Means Committee took no action on the bills.

Cross File: SB 705 (Senator Forehand) – Budget and Taxation.

Information Source(s): State Department of Assessments and Taxation, Department of Business and Economic Development, University System of Maryland, Department of Legislative Services

Fiscal Note History: First Reader - March 9, 2007
mll/hlb Revised - House Third Reader - March 26, 2007

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Exhibit 1
Business Incubators in Maryland and Estimated Property Tax Revenue Decreases in Fiscal 2008

Incubator	County	Current Assessment	County Tax Rate	County Revenue
Tawes Incubator Allegany Business Center	Allegany	Exempt	0.9829	\$0
Chesapeake Innovation Center	Anne Arundel	9,262,700	0.9180	(85,032)
Emerging Technology Center	Baltimore City	3,275,200	2.2880	(74,937)
Emerging Technology Center at Johns Hopkins University	Baltimore City	24,592,900	2.2880	(562,686)
Technology Advancement Center, UMD	Baltimore City	Exempt	2.2880	0
Techcenter @UMBC ¹	Baltimore	8,024,700	1.1000	(88,272)
Research Park @ UMBC	Baltimore	16,496,800	1.1000	(181,465)
Calvert County Business Incubator	Calvert	1,165,200	0.8920	(10,394)
Charles County Business Incubator	Charles	Exempt	1.0260	0
Charles County Business Incubator ¹	Charles	14,479,400	1.0260	(148,559)
Frederick Innovative Technology Center, Inc ²	Frederick	3,018,466	0.9360	(28,253)
Frederick Innovative Technology Center, Inc.	Frederick	Exempt	0.9360	0
Garrett Information Enterprise Center	Garrett	Exempt	1.0000	0
Higher Education and Applied Technology (HEAT) Center ¹	Harford	Exempt	1.0820	0
NeoTech Incubator	Howard	Exempt	1.1395	0
Maryland Technology Development Center	Montgomery	Exempt	0.9160	0
Silver Spring Innovation Center	Montgomery	4,220,266	0.9160	(38,658)
Association for Entrepreneurial Science (AES)	Montgomery	3,202,732	0.9160	(29,337)
Rockville Innovation Center	Montgomery	Exempt	0.9160	0
Wheaton Business Innovation Center	Montgomery	9,559,000	0.9160	(87,560)
8230 Georgia Avenue	Montgomery	1,980,400	0.9160	(18,140)
Prince George's County Technology Assistance Center	Prince George's	15,574,032	1.3190	(205,421)
Technology Advancement Program at UMD	Prince George's	Exempt	1.3190	0
Business and Technology Growth Center at University Town Center	Prince George's	34,538,400	1.3190	(455,561)

Incubator	County	Current Assessment	County Tax Rate	County Revenue
Rural Development Center/Enterprise Research Park UMES	Somerset	Exempt	0.9400	0
UMES Applied IT Research and Education Center	Somerset	Exempt	0.9400	0
Technical Innovation Center at Hagerstown CC	Washington	Exempt	0.9480	0
Total				(\$2,014,274)

¹Account is only partially a business incubator.

²Not currently a business incubator; the incubator is planned to expand into this property.

Source: Department of Business and Economic Development, State Department of Assessments and Taxation, Department of Legislative Services