

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE

Senate Bill 52 (Senator Haines)
 Budget and Taxation

Property Tax - Exemptions - Application Deadline - Real Property

This bill extends the filing deadline to receive a property tax abatement for real property subject to an exemption from September 1 to April 1 in the following year.

The bill takes effect June 1, 2009 and applies to taxable years beginning after June 30, 2009.

Fiscal Summary

State Effect: State property tax revenues may decrease by approximately \$1,000 annually. Expenditures are not affected.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
SF Revenue	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)
Expenditure	0	0	0	0	0
Net Effect	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)

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

Local Effect: County property tax revenues may decrease by approximately \$9,000 annually. Expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: Except for property used exclusively for charitable or educational purposes or property owned by a housing authority, property tax on wholly exempt property must be abated for the taxable year that follows the date on which the property

became exempt. If an owner of property subject to an exemption on June 30 files an application for abatement on or before the following September 1 with the State Department of Assessments and Taxation (SDAT), the tax is abated for the taxable year.

State Fiscal Effect: State property tax revenues may decrease by a minimal amount beginning in fiscal 2010 as a result of organizations applying for an exemption after the September 1 deadline. SDAT indicates that, in 2008, three tax-exempt entities applied for a real property tax exemption after the September 1 deadline. With an average assessment of \$300,000, special fund revenues would have decreased by approximately \$1,000 and county revenues would have decreased by \$9,000 if this bill had been in effect. Assuming a constant number of late applications in future years, State property tax revenues will decrease by approximately \$1,000 annually.

State property taxes are special fund revenues used for debt service payments on the State's general obligation bonds. The State property tax rate is \$0.112 per \$100 of assessment. State property tax revenues are projected to total \$750.0 million in fiscal 2010.

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 2010 State budget allowance includes \$785.0 million for general obligation debt service costs, all of which 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.

Local Fiscal Effect: County property tax revenues may decrease by a minimal amount beginning in fiscal 2010 as a result of organizations applying for an exemption after the September 1 deadline. Based on the above assumptions, county revenues may decrease by approximately \$9,000 annually, assuming an average county tax rate of \$1.00.

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 2, 2009
ncs/hlb

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