

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1017
Ways and Means

(Harford County Delegation)

Budget and Taxation

Harford County - Property Tax Credit - Continuing Care Facility for the Aged

This bill authorizes Harford County or a municipality in Harford County to grant, by law, a property tax credit for property owned or operated by a continuing care facility for the aged. In order to qualify for the credit, the property must be exempt, or be owned or operated by a person that is exempt, from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The property must also be available for use in connection with the facility. The county or municipalities are authorized to provide, by law, for the amount and duration of the tax credit, additional eligibility criteria for the tax credit, regulations and procedures for the application and uniform processing of requests for the tax credit, and any other provision necessary.

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

Fiscal Summary

State Effect: None.

Local Effect: Potentially significant decrease in county and municipal property tax revenues in Harford County upon completion of a proposed continuing care facility in the county. Under one set of assumptions, county property tax revenues may decrease by approximately \$541,000 annually. Local expenditures are not affected.

Small Business Effect: Potential meaningful. Small business tenants of any continuing care retirement community in Harford County will be exempt from county and municipal property taxes.

Analysis

Current Law: Generally, the law exempts certain types of real property from property taxation such as government-owned, charitable, benevolent, educational, churches, veterans' organizations, fire companies, historical societies, museums, etc.

Property owned by a licensed and certified continuing care facility for the aged is exempt from State and local property taxes if the property is used (1) exclusively for religious worship; (2) exclusively for administration or for providing nonprofit services and activities to residents, including that part of land reasonably allocable to providing the administration, activities, or services, but may not include independent living units; or (3) to provide nursing care, domiciliary care, or comprehensive care including, the part of any central administrative or service facility that is reasonably allocable to the licensed health care part of the facility, or the part of any land that is reasonably allocable to the licensed health care part of the facility.

Harford County is authorized to grant a property tax credit against the county property tax imposed on specified owner-occupied residential real property: (1) that was completed on or before June 30, 1988; (2) whose structural boundaries are within 1,000 feet of a refuse disposal system for which an active permit has been issued to the Harford County government; and (3) is determined by the Harford County Council to have been adversely impacted by its proximity to the refuse disposal system. However, the property tax credit may only be granted if the county government approves the use of specified environmental surcharges to offset the total amount of the property tax credits granted.

Background: The Harford County real property tax rate is \$1.082 per \$100 of assessment for fiscal 2009. Municipal property tax rates are as follows:

<u>Municipality</u>	<u>Tax Rate</u>
Aberdeen	\$0.70
Bel Air	\$0.50
Havre de Grace	\$0.63

Local Fiscal Effect: The bill authorizes Harford County and municipalities in Harford County to provide a property tax credit for continuing care facilities located in the county. The Maryland Department of Aging regulates 34 continuing care retirement communities across the State. There are currently no facilities in Harford County that would qualify for the tax credit proposed by the bill; however there is a proposal to build such a facility near Aberdeen, by the operator of a similar type of facility in Baltimore County. The Maryland Court of Appeals ruled in 1988 (*Supervisor of Assessments v. Asbury Methodist Home*) that independent living units at continuing care communities

were taxable, and they continue to be taxable under current law. In addition, any business tenants of these facilities, such as banks, beauty parlors, etc., may also be eligible for the tax credit proposed by the bill.

Local property tax revenues will not be affected in fiscal 2010, but may decrease upon completion of the project to the extent the tax credit is granted. The amount of the decrease cannot be reliably estimated and depends on the assessed value of the facility and the number of independent living units constructed at the facility. The State Department of Assessments and Taxation advises that similar facilities in Baltimore City, and Anne Arundel, Baltimore, Montgomery, and Prince George's counties typically pay between \$450,000 and \$1.0 million in State and local property taxes. Therefore, the county and municipal revenue loss associated with the proposed tax credit may be significant. *For illustrative purposes only*, if it assumed that the newly constructed facility has a taxable assessment of \$50.0 million, Harford County property tax revenues will decrease by \$541,000 annually.

Additional Information

Prior Introductions: None.

Cross File: SB 821 is listed as a cross file; however, the bills are not identical.

Information Source(s): Harford County, State Department of Assessments and Taxation, Department of Health and Mental Hygiene, Maryland Department of Aging, Department of Legislative Services

Fiscal Note History: First Reader - March 16, 2009
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