

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 88

(Chair, Budget and Taxation Committee)(By Request -
Departmental - Assessments and Taxation)

Budget and Taxation

Ways and Means

Tax - Property - Exempt Manufacturing Personal Property Application Deadline

This departmental bill specifies that the property tax exemption for manufacturing personal property must be granted for a taxable year, provided the application is approved, if the owner files an application with the State Department of Assessments and Taxation (SDAT) for an exemption within six months of receiving the first assessment notice for the taxable year that includes the manufacturing personal property.

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

Fiscal Summary

State Effect: None.

Local Effect: Local property tax revenues may decrease to the extent that businesses file an application for the property tax exemption after the application deadline allowed under current law. Any such decrease is assumed to be minimal.

Small Business Effect: The Department of Assessments and Taxation has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: Except for property used exclusively for charitable or education 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 SDAT, the tax is abated for the taxable year.

If property that is exempt from property tax is transferred to a person whose use of the property qualifies the property for an exemption from the date of transfer, then the property tax must be abated from that date if the transferee (1) files a specified application on or before September 1 of the following taxable year; or (2) files a specified application with regards to manufacturing personal property within six months after receipt of the first assessment notice which includes the manufacturing personal property that is issued after the date of the transfer.

Exempt manufacturing personal property includes tools, implements, machinery, or manufacturing apparatus or engines. Property is not exempt if it is used primarily in administration, management, sales, storage, shipping, receiving, or any other nonmanufacturing activity. In order to qualify for the exemption under this section, a person claiming the exemption must apply for and be granted the exemption by SDAT.

Background: All assessable tangible personal property located in Maryland and owned by businesses as of January 1 may be subject to a local personal property tax. The State has not imposed personal property taxes since 1984. The assessment of personal property is the responsibility of SDAT while the collection of the tax is the responsibility of local governments. SDAT separately values inventory and all other tangible business personal property based on information filed annually by property owners by April 15 (the data are as of the preceding January 1). Property owners may request a filing extension of 60 days.

Inventory is valued at its “fair average value,” which means the lower of cost or market value. All other personal property, including office furniture, fixtures, equipment, and plant machinery is valued at “full cash value.” Uniform rates of depreciation are applied to the cost of the property to determine full cash value. The State mandates certain exemptions from personal property assessment including aircraft, manufacturing tools, equipment or machinery, research and development property, farm implements, agricultural products, livestock, and residential property (nonbusiness property).

Except for personal property used in connection with a business, personal property owned by an individual is not subject to valuation or taxation. Personal property used in connection with a business is also exempt if it is owned by an individual and is located at the individual’s residence and either (1) is used in connection with a licensed family day care home; or (2) had a total original cost (excluding vehicles) of less than \$10,000.

Local governments may provide various additional exemptions.

Local Fiscal Effect: The bill may result in a reduction in local personal property tax revenues to the extent that businesses file an application for a property tax exemption after the deadline allowed under current law, which in most cases is September 1. The bill changes the deadline to six months after receiving the first assessment notice. The amount of the decrease cannot be reliably estimated but is expected to be minimal. It depends on the number of property owners who would not qualify for an exemption based on the application deadlines imposed under current law, but who may file an application for an exemption within the six-month time period allowed under the bill. Each year, a few businesses do not meet the September 1 deadline for filing a manufacturing personal property application. In some of these cases, the businesses are new to Maryland and are unaware of the application requirement.

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 - January 14, 2009
ncs/hlb

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Tax – Property – Exempt Manufacturing Personal Property Application
Deadline

BILL NUMBER: SB 88

PREPARED BY: State Department of Assessments & Taxation

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.