Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1135   (Delegate Ross, *et al.*)

Ways and Means   Budget and Taxation

Property Tax Credit - Grocery Stores - Low-Income Areas

This bill authorizes a local government to grant a property tax credit for real property that is used for a grocery store located in a low-income area. Local governments may provide for the amount and duration of the property tax credit, additional eligibility criteria, regulations and procedures for the application and uniform processing of requests for the tax credit, and any other provision necessary. A grocery store is defined as an establishment whose primary business is selling food at retail to the general public for off-premises consumption and at least 20% of the gross receipts of which are derived from the retail sale of fresh produce, meats, and dairy products. A low-income area must be designated by each local government for the purposes of the property tax credit.

The bill takes effect June 1, 2010, and applies to taxable years beginning after June 30, 2010.

Fiscal Summary

State Effect: None.

Local Effect: Potential significant reduction in local property tax revenues beginning in FY 2011 to the extent the tax credit is granted. The amount of the decrease will vary by jurisdiction and depends on the number of eligible grocery stores, the property assessment of these stores, and the amount of the tax credit. Local expenditures are not affected.

Small Business Effect: Potential meaningful for small grocery stores that qualify for the tax credit.

Analysis

Current Law: None applicable.

Background: The *2002 Economic Census* identifies 1,091 grocery stores in Maryland. These stores reported having 47,803 employees and sales of $8.7 billion in 2002.

Local Fiscal Effect: County and municipal property tax revenues may decrease by a significant amount beginning in fiscal 2011, to the extent the tax credit is granted. The amount of the decrease will vary by jurisdiction and depends on the number of eligible grocery stores, the property assessment of these stores, and the amount of the tax credit, none of which can be reliably estimated. As a point of reference, local property tax revenues will, on average, decrease by $1,000 for every $100,000 of taxable assessment eligible for a property tax credit. **Exhibit 1** shows the effect on county property tax revenues for one eligible grocery store with an assumed taxable assessment of $750,000.

Baltimore City has identified 47 grocery stores that would likely qualify for any tax granted.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore City; Caroline, Howard, Montgomery, and Prince George's counties; City of Takoma Park; State Department of Assessments and Taxation; Property Tax Assessment Appeals Board; Department of Legislative Services

Fiscal Note History: First Reader - March 8, 2010
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Exhibit 1
Effect of a Hypothetical Grocery Store on County Property Tax Revenues

County	Hypothetical Assessment	Tax Rate	100% Tax Credit
Allegany	$750,000	$0.983	($7,372)
Anne Arundel	750,000	0.876	(6,570)
Baltimore City	750,000	2.268	(17,010)
Baltimore	750,000	1.100	(8,250)
Calvert	750,000	0.892	(6,690)
Caroline	750,000	0.870	(6,525)
Carroll	750,000	1.048	(7,860)
Cecil	750,000	0.940	(7,050)
Charles	750,000	1.026	(7,695)
Dorchester	750,000	0.896	(6,720)
Frederick	750,000	1.064	(7,980)
Garrett	750,000	0.990	(7,425)
Harford	750,000	1.064	(7,980)
Howard	750,000	1.150	(8,621)
Kent	750,000	0.972	(7,290)
Montgomery	750,000	0.916	(6,870)
Prince George's	750,000	1.319	(9,893)
Queen Anne's	750,000	0.770	(5,775)
St. Mary's	750,000	0.857	(6,428)
Somerset	750,000	0.900	(6,750)
Talbot	750,000	0.432	(3,240)
Washington	750,000	0.948	(7,110)
Wicomico	750,000	0.759	(5,693)
Worcester	750,000	0.700	(5,250)