

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 1306
Ways and Means

(Delegate Dwyer, *et al.*)

Property Tax Credit - Property Leased to Nonprofit Schools

This bill authorizes local governments to grant a property tax credit for property that is leased to a nonprofit school and used exclusively for primary or secondary educational purposes. Local governments are authorized to provide 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, 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 nonprofit schools that lease property for education purposes, the property assessment of these properties, and the amount of the tax credit. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: Schools and other educational institutions owned by a nonprofit organization are exempt from State and local property taxes. However, property that is leased to a school or educational institution is subject to State and local property taxes.

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 nonprofit schools that lease property for education purposes, the property assessment of these properties, and the amount of the tax credit, none of which can be reliably estimated.

According to the Maryland State Department of Education, there are 1,395 nonpublic elementary and secondary schools, and 42 charter schools in the State for the 2009-2010 school year. **Exhibit 1** shows the distribution of these schools by jurisdiction. However, at this time, it is not known how many of these schools will qualify for the proposed property tax credit, nor the property tax assessment of the properties. As a point of reference, local property tax revenues will, on average, decrease by \$10,000 for every \$1 million of taxable assessment eligible for a property tax credit. Exhibit 1 shows the effect on county property for each \$1 million of assessed value that is granted a property tax credit.

Impact in Howard and St. Mary's Counties

Howard County indicates that there are 13 schools in the county that may be eligible for the tax credit if it is granted and would result in a property tax revenue decrease of approximately \$190,000.

There is one charter school in St. Mary's County – the Chesapeake Public Charter School – that would be eligible for the tax credit. The school occupies and leases 66.7% of a property that has a 2011 assessment of \$4.4 million. If the county decides to grant a property tax credit for the portion of the property leased by the Chesapeake Public Charter School in fiscal 2011, county property tax revenues will decrease by \$24,900.

Exhibit 1
Nonpublic and Charter Schools in Maryland

County	Nonpublic Schools	Charter Schools	Tax Rate	Tax Credit Per \$1 million of Assessment
Allegany	11	0	\$0.983	(\$9,829)
Anne Arundel	128	2	0.876	(8,760)
Baltimore City	148	33	2.268	(22,680)
Baltimore	221	1	1.100	(11,000)
Calvert	15	0	0.892	(8,920)
Caroline	5	0	0.870	(8,700)
Carroll	29	0	1.048	(10,480)
Cecil	22	0	0.940	(9,400)
Charles	28	0	1.026	(10,260)
Dorchester	7	0	0.896	(8,960)
Frederick	39	1	1.064	(10,640)
Garrett	7	0	0.990	(9,900)
Harford	50	0	1.064	(10,640)
Howard	83	0	1.150	(11,495)
Kent	6	0	0.972	(9,720)
Montgomery	286	0	0.916	(9,160)
Prince George's	181	4	1.319	(13,190)
Queen Anne's	11	0	0.770	(7,700)
St. Mary's	36	1	0.857	(8,570)
Somerset	4	0	0.900	(9,000)
Talbot	12	0	0.432	(4,320)
Washington	38	0	0.948	(9,480)
Wicomico	19	0	0.759	(7,590)
Worcester	9	0	0.700	(7,000)
	1,395	42		

Source: Maryland State Department of Education; Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Caroline, Howard, Montgomery, St. Mary's counties; State Department of Assessments and Taxation; Maryland State Department of Education; Department of Legislative Services

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