

Department of Legislative Services  
Maryland General Assembly  
2011 Session

FISCAL AND POLICY NOTE

Senate Bill 10 (Senator Kelley)  
Budget and Taxation

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**Personal Property Tax - Property Located in a Residence - Exemption**

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This bill expands a current personal property tax exemption for business personal property used in connection with a business located at an individual's principal residence. To be eligible for the exemption, the business personal property does not have to be owned by the owner of the residence as required under current law.

The bill takes effect June 1, 2011, and applies to all taxable years beginning after June 30, 2011.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Potential decrease in local property tax revenues. The extent of the decrease depends on the amount and value of qualifying business personal property. Under one set of assumptions, local revenues may decrease by \$2.4 million annually.

**Small Business Effect:** Potential meaningful. Small businesses that have taxable personal property will realize reduced local property taxes.

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**Analysis**

**Current Law:** Personal property owned by an individual is not subject to taxation, except when it is used in connection with a business. Such property may be granted an exemption 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.

The State Department of Assessments and Taxation (SDAT) advises that an initial personal property tax return must be filed to receive this exemption.

**Background:** The State has not imposed personal property taxes since fiscal 1984 and all personal property is exempt from State property tax. However, the counties, municipalities, and special taxing districts are authorized to tax personal property.

All business entities in Maryland may be required to pay local personal property taxes. 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 assessment of personal property is the responsibility of SDAT, while the collection of the tax on personal property 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 is as of the preceding January 1). Property owners may request a filing extension of two months.

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.

**Local Fiscal Effect:** The bill expands the current personal property tax exemption for individual-owned business personal property to include personal property that is located at an individual’s residence whether or not the property is owned by the individual. It is assumed the exemption will now apply to business personal property that is leased by the individual. As a result, local personal property tax revenues will decrease beginning in fiscal 2012. However, the amount of the decrease will depend on the amount of business personal property qualifying for the exemption and the value of the property.

SDAT advises that there are 45,900 businesses in the State with personal property assessments of less than \$10,000, as shown in **Exhibit 1**. As a point of reference and *for illustrative purposes only*, if it is assumed that 30% of these businesses are home based and would therefore qualify for the exemption under the bill, local revenues may decrease by approximately \$2.4 million beginning in fiscal 2012.

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**Exhibit 1**  
**Personal Property Assessments Under \$10,000**

<b>County</b>	<b>Personal Property Tax Rate</b>	<b>Personal Property Assessment</b>
Allegany	\$2.4573	\$4,757,033
Anne Arundel	2.2000	38,552,267
Baltimore City	5.6700	22,420,100
Baltimore	2.7500	38,642,533
Calvert	2.2300	2,615,433
Caroline	2.1800	1,031,633
Carroll	2.6200	5,911,800
Cecil	2.2880	3,656,300
Charles	2.5650	13,472,533
Dorchester	2.2400	830,633
Frederick	0.0	0
Garrett	0.0	0
Harford	2.6050	11,083,200
Howard	2.8738	19,816,667
Kent	0.0	0
Montgomery	2.2875	51,929,433
Prince George's	3.2975	36,477,767
Queen Anne's	0.0	0
St. Mary's	2.1430	3,102,700
Somerset	2.2093	729,200
Talbot	0.0	0
Washington	2.3700	8,246,167
Wicomico	1.8980	7,828,133
Worcester	1.7500	4,296,500
<b>Total</b>		<b>\$275,400,033</b>

Source: State Department of Assessments and Taxation

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**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 31, 2011  
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Analysis by: Michael Sanelli

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510