

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE
Revised

House Bill 262
Ways and Means

(Frederick County Delegation)

Budget and Taxation

Frederick County - Nonprofit School Lease - Property Tax Credit

This bill requires Frederick County or a municipality in the county to grant a property tax credit for property leased to a nonprofit school and used exclusively for primary or secondary educational purposes. Under current law, the county or municipality is authorized to grant a property tax credit for this type of property. In addition, the bill requires the lessor of real property eligible for the property tax credit to reduce the amount of taxes for which a tenant is contractually liable under the lease agreement by the amount of any property tax credit allowed.

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

Fiscal Summary

State Effect: None.

Local Effect: Frederick County property tax revenues decrease by approximately \$23,600 annually beginning in FY 2012, and Frederick City property tax revenues decrease by approximately \$14,400 annually. County and municipal expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: Frederick County or a municipality in the county is authorized to grant a property tax credit for property leased to a nonprofit school and used exclusively for primary or secondary educational purposes. In addition, a property tax credit may be

granted to real property leased to the Frederick County Commissioners or to the Frederick County Board of Education and used exclusively for public school educational purposes.

In addition, 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.

Background: According to the Maryland State Department of Education, there are 1,483 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.

Chapter 472 of 2010 authorized St. Mary's County or a municipality in the county to grant a property tax credit for property that is leased to a nonprofit school and is used exclusively for primary or secondary educational purposes. If granted, the property tax credit must remain in effect as long as the property is leased to a nonprofit school.

Local Fiscal Effect: The State Department of Assessments and Taxation and the Maryland State Department of Education indicate that there is at least one charter school in Frederick County – the Monocacy Valley Montessori Public Charter School – that is eligible for the tax credit proposed by the bill. The property is located in Frederick City and has a fiscal 2012 assessment of approximately \$2.2 million. Assuming a 100% property tax credit is granted, property tax revenues will decrease by approximately \$23,600 annually in Frederick County and by approximately \$14,400 in the City of Frederick beginning in fiscal 2012, based on current county and municipal tax rates.

The Monocacy Valley Montessori Public Charter School, established in 2002, serves students in prekindergarten through the eighth grade. It was the first charter school established in Maryland and functions as a semi-independent unit of the Frederick County Public School System. The public charter school currently enrolls 294 students.

Exhibit 1
Nonpublic and Charter Schools in Maryland

County	Nonpublic Schools	Charter Schools
Allegany	10	0
Anne Arundel	143	2
Baltimore City	151	33
Baltimore	224	1
Calvert	15	0
Caroline	5	0
Carroll	30	0
Cecil	20	0
Charles	31	0
Dorchester	8	0
Frederick	45	1
Garrett	7	0
Harford	47	0
Howard	90	0
Kent	7	0
Montgomery	336	0
Prince George's	185	4
Queen Anne's	11	0
St. Mary's	37	1
Somerset	3	0
Talbot	12	0
Washington	37	0
Wicomico	19	0
Worcester	10	0
	1,483	42

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

Additional Information

Prior Introductions: None.

Cross File: SB 330 (Senators Brinkley and Young- Budget and Taxation) is listed as a cross file, however the bills are not identical.

Information Source(s): Frederick County, State Department of Assessments and Taxation, Department of Legislative Services

Fiscal Note History: First Reader - February 14, 2011
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