

**Department of Legislative Services**  
Maryland General Assembly  
2012 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 266

(Senators Brinkley and Young)

Budget and Taxation

Ways and Means

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**Frederick County and Washington County - Property Tax Credit - Job Creation  
by Small Businesses**

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This bill authorizes Frederick and Washington counties to grant a property tax credit against the county property tax imposed on real property owned or leased by a new or expanding business that creates new jobs. The counties must provide, by law, for (1) the specific eligibility requirements for the property tax credit; (2) any additional limitations on eligibility for the tax credit; and (3) any other provision appropriate to implement the tax credit.

The bill takes effect June 1, 2012, and applies to all taxable years beginning after June 30, 2012.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Frederick County and Washington County property tax revenues may decrease beginning in FY 2013 to the extent the property tax credits are granted. The amount of the decrease depends on the number of businesses that qualify for the tax credit and the amount of the tax credits that are issued.

**Small Business Effect:** Potential meaningful. Small businesses that qualify for the tax credit will pay less in local property taxes.

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## Analysis

**Bill Summary:** This bill authorizes Frederick and Washington counties to grant a property tax credit against the county property tax imposed on real property owned or leased by a new or expanding business that creates new jobs, provided specified conditions are met.

In order to qualify for the property tax credit, and prior to obtaining the new or expanded premises or hiring employees to fill the new permanent full-time positions at the new or expanded premises, a business must provide written notification to the county stating (1) that the business entity intends to claim the property tax credit; and (2) when the business entity expects to obtain the new or expanded premises and hire the required number of employees in the new permanent full-time positions.

An existing business in the county must (1) obtain at least an additional 1,500 square feet of new or expanded premises by purchasing newly constructed premises, constructing new premises, causing new premises to be constructed, or leasing previously unoccupied premises; and (2) employ at least one individual in a new permanent full-time position during a 12-month period, during which period the business entity also must obtain and occupy the new or expanded premises.

A new business locating in the county must (1) obtain at least 2,500 square feet of new or expanded premises by purchasing newly constructed premises, constructing new premises, causing new premises to be constructed, or leasing previously unoccupied premises; and (2) employ at least five individuals in new permanent full-time positions during a 24-month period, during which period the business entity also must obtain and occupy the new or expanded premises.

The property tax credit for an existing business is equal to a percentage of the amount of property tax imposed on the assessment of the new or expanded premises, as follows: (1) 52% in the first and second taxable years; (2) 39% in the third and fourth taxable years; and (3) 26% in the fifth and sixth taxable years.

The property tax credit for a new business locating in the county is equal to a percentage of the amount of property tax imposed on the assessment of the new or expanded premises, as follows: (1) 30% in the first and second taxable years; (2) 20% in the third and fourth taxable years; and (3) 10% in the fifth and sixth taxable years.

The bill specifies that the lessor of real property granted a property tax credit must reduce the amount of taxes for which a business is contractually liable under the lease agreement by the amount of any credit granted for improvements made by the business.

**Current Law:** The Businesses that Create New Jobs Tax Credit, a similar State tax credit, was enacted by Chapters 623 and 624 of 1997. Businesses located in Maryland that create new positions and establish or expand business facilities in the State may be entitled to a tax credit. To be eligible for the tax credit, businesses must first have been granted a property tax credit by a local government for creating the new jobs. In order for a local government to grant a property tax credit, a local government must first enact local authorizing legislation. According to the Department of Business and Economic Development (DBED) only Carroll, Charles, Montgomery, and Washington counties have enacted local legislation. The State Department of Assessments and Taxation (SDAT) indicate that Frederick County enacted local legislation in 2011. To date the State tax credit has only been used in Montgomery and Washington counties by a limited number of businesses.

**Background:** Employment growth is one indicator of an economy's overall health. The total number and the percent change in new jobs created are widely used performance measures. Total employment in Maryland from 2006 to 2011 decreased by 2.2%, resulting in a net loss of approximately 54,600 jobs. In Frederick County, there was a net loss of approximately 1,000 jobs during this same period; while in Washington County, there was a net loss of approximately 3,100 jobs (**Exhibit 1**). Even with the decline in net jobs, the unemployment rate in Frederick County continues to remain below the statewide and national averages. In calendar 2011, the unemployment rate in Frederick County averaged 6.1% compared to the statewide average of 7.0% and the national average of 8.9%. However, due to the decline in net jobs, the unemployment rate in Washington County averaged 9.6% in calendar 2011, which was above the statewide and national averages (**Exhibit 2**).

**Local Fiscal Effect:** Frederick County and Washington County property tax revenues may decrease beginning in fiscal 2013 to the extent the property tax credits are granted. The amount of the revenue decrease depends on the number of businesses that qualify for the tax credit and the amount of the credit, neither of which can be reliably estimated at this time. As a point of reference, the following table shows the number of commercial and industrial accounts in Frederick and Washington counties and their total assessed value for fiscal 2012.

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**Table 1**  
**Commercial and Industrial Real Property Accounts**  
**Fiscal 2012**

	<b>Commercial</b>		<b>Industrial</b>	
	<b><u>Improved</u></b>	<b><u>Vacant</u></b>	<b><u>Improved</u></b>	<b><u>Vacant</u></b>
<b>Frederick County</b>				
Accounts	2,018	583	262	285
Assessed Value	\$2,949,391,967	\$235,181,702	\$992,758,601	\$38,082,100
<b>Washington County</b>				
Accounts	1,890	622	261	114
Assessed Value	\$1,960,318,150	\$160,799,907	\$732,669,566	\$25,318,966

Source: State Department of Assessments and Taxation

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 125 (Frederick County Delegation) - Ways and Means.

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

**Fiscal Note History:** First Reader - January 30, 2012  
mc/hlb Revised - Senate Third Reader - March 24, 2012

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**Exhibit 1**  
**Employment Growth in Maryland Counties – Over a Five-year Period**  
**First Quarter 2006 and 2011**

<b>County</b>	<b>Average Employment Within Jurisdiction</b>					<b>Jobs Per 1,000 Residents</b>		
	<b>1st Q 2006</b>	<b>1st Q 2011</b>	<b>Difference</b>	<b>% Difference</b>	<b>Rank</b>	<b>1st Q 2011</b>	<b>Percent of State Average</b>	<b>Rank</b>
Allegany	29,886	28,671	-1,215	-4.1%	13	381.8	90.6%	11
Anne Arundel	220,155	223,062	2,907	1.3%	3	414.9	98.5%	8
Baltimore City	345,878	325,617	-20,261	-5.9%	18	524.4	124.5%	1
Baltimore	370,978	354,669	-16,309	-4.4%	14	440.6	104.6%	5
Calvert	21,046	21,027	-19	-0.1%	4	237.0	56.2%	24
Caroline	8,546	8,292	-254	-3.0%	9	250.8	59.5%	22
Carroll	54,504	53,100	-1,404	-2.6%	8	317.7	75.4%	18
Cecil	29,332	27,129	-2,203	-7.5%	22	268.3	63.7%	20
Charles	41,109	39,804	-1,305	-3.2%	10	271.6	64.5%	19
Dorchester	11,435	10,547	-888	-7.8%	23	323.3	76.7%	17
Frederick	90,809	89,789	-1,020	-1.1%	6	384.7	91.3%	10
Garrett	11,490	11,093	-397	-3.5%	12	368.6	87.5%	12
Harford	80,731	80,588	-143	-0.2%	5	329.2	78.1%	16
Howard	141,236	147,357	6,121	4.3%	2	513.3	121.8%	2
Kent	7,849	7,297	-552	-7.0%	20	361.3	85.8%	13
Montgomery	458,746	443,159	-15,587	-3.4%	11	456.0	108.2%	4
Prince George's	308,516	294,584	-13,932	-4.5%	16	341.2	81.0%	15
Queen Anne's	12,895	12,699	-196	-1.5%	7	265.7	63.1%	21
St. Mary's	37,987	41,292	3,305	8.7%	1	392.7	93.2%	9
Somerset	6,910	6,424	-486	-7.0%	21	242.7	57.6%	23
Talbot	18,580	17,298	-1,282	-6.9%	19	457.8	108.7%	3
Washington	66,157	63,034	-3,123	-4.7%	17	427.6	101.5%	7
Wicomico	45,222	43,198	-2,024	-4.5%	15	437.5	103.8%	6
Worcester	20,409	18,548	-1,861	-9.1%	24	360.5	85.6%	14
Unallocated	46,602	64,147	17,545	37.6%				
<b>Maryland</b>	<b>2,487,008</b>	<b>2,432,425</b>	<b>-54,583</b>	<b>-2.2%</b>		<b>421.3</b>	<b>100.0%</b>	

Note: The employment growth rate was calculated by using average quarterly employment data. Employment growth statistics represent the available jobs within a jurisdiction, not the employment status for residents of the jurisdiction.

Source: *Employment and Payroll Annual Report*, Department of Labor, Licensing, and Regulation

**Exhibit 2**  
**Economic Indicators for Maryland Counties**

<b>County</b>	<b><u>Average Weekly Wage</u></b>		<b><u>Unemployment Rate</u></b>			<b><u>Median Household Income</u></b>		<b><u>Median Home Price</u></b>		
	<b>CY 2010</b>	<b>Percent of State Average</b>	<b>CY 2009</b>	<b>CY 2010</b>	<b>CY 2011</b>	<b>CY 2008 - 2010</b>	<b>Percent of State Average</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>Percent Change</b>
Allegany	\$647	65.0%	8.7%	9.2%	8.7%	\$37,952	54.2%	\$115,000	\$101,400	-11.8%
Anne Arundel	971	97.6%	6.5%	6.8%	6.5%	82,386	117.7%	295,000	316,000	7.1%
Baltimore City	1,052	105.7%	10.4%	10.9%	10.2%	39,113	55.9%	178,000	151,000	-15.2%
Baltimore	931	93.6%	7.6%	8.0%	7.6%	63,494	90.7%	230,000	230,000	0.0%
Calvert	798	80.2%	6.0%	6.2%	5.8%	87,621	125.1%	299,000	345,000	15.4%
Caroline	634	63.7%	9.2%	9.4%	8.8%	59,689	85.2%	209,900	170,000	-19.0%
Carroll	703	70.7%	6.5%	6.7%	6.3%	79,703	113.8%	283,000	289,000	2.1%
Cecil	764	76.8%	9.3%	9.9%	9.1%	64,377	91.9%	239,900	250,000	4.2%
Charles	764	76.8%	6.0%	6.2%	5.9%	88,484	126.4%	278,400	295,000	6.0%
Dorchester	653	65.6%	10.9%	10.7%	10.3%	46,710	66.7%	163,500	164,500	0.6%
Frederick	885	88.9%	6.4%	6.6%	6.1%	81,436	116.3%	280,000	290,500	3.8%
Garrett	579	58.2%	7.9%	8.1%	7.3%	45,340	64.8%	125,500	134,900	7.5%
Harford	862	86.6%	7.3%	7.5%	7.1%	76,808	109.7%	249,000	272,000	9.2%
Howard	1,080	108.5%	5.3%	5.5%	5.2%	103,657	148.0%	376,700	405,000	7.5%
Kent	668	67.1%	7.8%	8.3%	7.7%	51,892	74.1%	200,000	226,750	13.4%
Montgomery	1,237	124.3%	5.4%	5.6%	5.2%	92,451	132.0%	380,000	407,500	7.2%
Prince George's	969	97.4%	7.1%	7.4%	7.1%	70,384	100.5%	245,000	225,450	-8.0%
Queen Anne's	651	65.4%	6.8%	7.0%	6.8%	83,958	119.9%	305,000	315,000	3.3%
St. Mary's	1,127	113.3%	5.7%	6.3%	5.9%	81,726	116.7%	269,000	273,000	1.5%
Somerset	713	71.7%	9.7%	10.4%	9.7%	41,737	59.6%	139,000	131,000	-5.8%
Talbot	705	70.9%	7.4%	7.8%	7.4%	62,739	89.6%	265,000	282,500	6.6%
Washington	702	70.6%	9.9%	10.3%	9.6%	51,579	73.7%	191,900	191,200	-0.4%
Wicomico	709	71.3%	8.5%	8.8%	8.5%	48,503	69.3%	166,750	170,500	2.2%
Worcester	554	55.7%	11.5%	12.4%	12.0%	56,277	80.4%	245,000	225,000	-8.2%
<b>Maryland</b>	<b>\$995</b>	<b>100.0%</b>	<b>7.1%</b>	<b>7.5%</b>	<b>7.0%</b>	<b>\$70,017</b>	<b>100.0%</b>	<b>\$275,000</b>	<b>\$286,000</b>	<b>4.0%</b>

Source: Department of Labor, Licensing, and Regulation; Maryland Department of Planning; State Department of Assessments and Taxation