

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE
Revised

House Bill 898
Ways and Means

(Prince George's County Delegation)

Budget and Taxation

Prince George's County - Property Tax - Payment in Lieu of Taxes Agreements
PG 418-12

This bill authorizes Prince George's County, by resolution, to exempt specified economic development projects located in designated focus areas from county real property taxes.

The bill takes effect July 1, 2012, and terminates June 30, 2017.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County property tax revenues may decrease beginning in FY 2013 to the extent that certain economic development projects are exempt from real property taxes. The amount of any decrease depends on the number and type of development projects taking place in the county and the assessed value of each affected property. Property tax decreases will be mitigated by negotiated payment in lieu of taxes agreements between the county and the developer.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill authorizes Prince George's County, by resolution, to exempt specified economic development projects located in designated focus areas from county real property taxes. Specifically, the exemption may be granted if (1) the owner or owners of the economic development project demonstrate to the satisfaction of the county executive and county council that the county or its designated agency has conducted an

economic analysis of the project; (2) the owner or owners of the economic development project and the county enter into a specified payment in lieu of taxes agreement; (3) prior to or no later than 18 months from the date of entering into the payment in lieu of taxes agreement, construction of the project has commenced and all conditions for the financing required for the construction of the project have been satisfied or waived; and (4) the authorizing resolution states that the project may not involve gambling activities.

By January 1 of each year, the county executive or the county executive's designated agency must submit a report to the county council and legislative delegation to the General Assembly. The report must contain a description of each project for which the county entered into a payment in lieu of taxes agreement during the prior fiscal year, including a statement of the basis on which each project met the requirements for the definition of an economic development project and the analysis of the project. In addition, for those projects that have a payment in lieu of taxes agreement and for which construction or rehabilitation has been completed, the report must contain the number and types of jobs created during the preceding fiscal year and estimated to be created during the following fiscal year; the total taxes that the project is estimated to have generated directly and indirectly for the county during the preceding fiscal year and estimated to be generated during the following fiscal year; and any other economic benefits of the project.

By December 31, 2016, the Prince George's County Office of the County Executive must report to the chairs of the county's legislative delegations on the implementation of the bill.

A "designated focus area" is defined as (1) a transit-oriented development, defined as a development or project within one-half mile of a Washington Metropolitan Area Transit Authority transit station or one-half mile of a Maryland Area Regional Commuter transit station; (2) a revitalization tax credit district, as defined in the Prince George's County code and designated by the county; or (3) an urban renewal area, as designated by the county council.

An "economic development project" is defined as a real estate development project that consists of newly constructed or rehabilitated commercial property if the real estate development project (1) has a certificate of occupancy issued on or after October 1, 2012; (2) is located on one or more parcels of land, all of which are situated in a designated focus area; and (3) includes at least one of the following:

- a hotel that provides at least 100 full-time equivalent job opportunities and has a private capital investment of equity and debt combined of at least \$20 million;

- an office building that provides at least 100 full-time equivalent job opportunities and has a private capital investment of equity and debt combined of at least \$20 million;
- a retail facility that provides at least 100 full-time equivalent job opportunities and has a private capital investment of equity and debt combined of at least \$10 million;
- an off-street parking facility that contains at least 250 parking spaces and has a private capital investment of equity and debt combined of at least \$2.5 million; or
- a mixed-use facility that contains one or more of the above facilities and at least one of which satisfies the minimum criteria.

Background: While local governments have limited ability to alter real property exemptions, they have been granted broad authority to exempt certain types of personal property from property taxation. The types of property exempt from local taxation are enumerated in Title 7 of the Tax-Property Article. Exemptions apply to State property taxation as well, although the State does not tax personal property.

The major local government real property tax exemptions include local, State, and federal government property; property of religious organizations; cemeteries and mausoleums; nonprofit hospitals; portions of continuing care facilities for the elderly; property of charitable, fraternal, and educational institutions; property used for national defense or military housing; property of national veterans' organizations; homes of disabled veterans and the blind (partial exemption), or a surviving spouse of either; property of historical societies and museums; property owned by certain taxpayers engaged in building, operating, and managing nonprofit multifamily units, subject to local government approval; and property owned by fire companies, rescue squads, community water corporations, and housing authorities.

The major personal property tax exemptions include property of finance companies and savings and loan associations; manufacturing equipment (though subject to tax in some counties at specified percentages of assessment and subject to municipal property tax, unless exempted in full or in part by the municipal corporation); manufacturing inventory (though subject to municipal property tax, unless exempted in full or in part by the municipal corporation); commercial inventory (though subject to tax on up to 35% of assessment in Wicomico County and subject to municipal property tax, unless exempted in full or in part by the municipal corporation); motor vehicles, small vessels, and registered aircraft; certain agricultural products and commodities; farming implements and livestock; personal possessions in the owner's home; property belonging to a home-based business with an initial purchase price of less than \$10,000; and intangible property.

Local Fiscal Effect: Prince George's County property tax revenues may decrease beginning in fiscal 2013 to the extent that economic development projects are exempt from real property taxes. The amount of any decrease depends on the number of focus areas designated in the county, the number and type of development projects taking place, and the assessed value of each affected property. For fiscal 2012, the county real property tax rate is \$1.319 per \$100 of assessed value. The taxable real property assessable base is \$83.1 billion.

However, any property tax decrease will be mitigated by negotiated payment in lieu of taxes agreements between the county and the developer. In addition, county income tax revenues may increase to the extent that new jobs are created in the county. **Exhibit 1** provides selected economic indicators for Maryland counties. **Exhibit 2** shows the change in employment for each county from the first quarter in 2006 to the first quarter in 2011.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Prince George's County, State Department of Assessments and Taxation, Department of Business and Economic Development, Department of Housing and Community Development, Comptroller's Office, Maryland Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader - March 2, 2012
ncs/hlb Revised - House Third Reader - March 28, 2012

Analysis by: Michael Sanelli

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

Exhibit 1
Economic Indicators for Maryland Counties

County	<u>Average Weekly Wage</u>		<u>Unemployment Rate</u>			<u>Median Household Income</u>		<u>Median Home Price</u>		
	CY 2010	Percent of State Average	CY 2009	CY 2010	CY 2011	CY 2008 - 2010	Percent of State Average	FY 2010	FY 2011	Percent Change
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%
Maryland	\$995	100.0%	7.1%	7.5%	7.0%	\$70,017	100.0%	\$275,000	\$286,000	4.0%

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

Exhibit 2
Employment Growth in Maryland Counties – Over a Five-year Period
First Quarter 2006 and 2011

County	Average Employment Within Jurisdiction				Rank	Jobs Per 1,000 Residents		
	1st Q 2006	1st Q 2011	Difference	% Difference		1st Q 2011	Percent of State Average	Rank
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%				
Maryland	2,487,008	2,432,425	-54,583	-2.2%		421.3	100.0%	

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