

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 203
Economic Matters

(Delegate Stukes, *et al.*)

Economic Development - Arts, Business, and Cultural District - Pennsylvania
Avenue Corridor in Baltimore City

This bill requires the Department of Business and Economic Development (DBED) to designate an Arts, Business, and Cultural (ABC) District in Baltimore City. Baltimore City is authorized to exempt gross receipts from admissions and amusement charges levied by a qualifying individual in an ABC District from the admissions and amusement tax. In addition, Baltimore City is authorized to extend a property tax credit currently granted to specified property in an arts and entertainment district to those used by a qualifying individual in an ABC District.

Fiscal Summary

State Effect: None.

Local Effect: Baltimore City property tax revenues and admissions and amusement tax revenues decrease beginning in FY 2015 to the extent the city provides the property tax credit and admissions and amusement tax exemption specified by the bill. The amount of the decrease depends on the number of qualifying individuals in the ABC District, property values, and/or gross receipts subject to the admissions and amusement tax. Baltimore City expenditures are not affected.

Small Business Effect: Potential meaningful. Small businesses that qualify for the property tax credit and/or admissions and amusement tax exemption will benefit from reduced taxes.

Analysis

Bill Summary: The ABC District established by the bill consists of the following areas in Baltimore City: the area between Orchard Street to the south, Fulton Street to the north, Pennsylvania Avenue to the west, and McCulloh Street to the east. The purpose of the ABC District is to redevelop and revitalize the Pennsylvania Avenue corridor in Baltimore City by (1) restoring cultural landmarks and communities; (2) preserving and reusing historical buildings; (3) encouraging business and job development; (4) establishing tourism destinations; and (5) enhancing property values.

A qualifying individual is eligible for the admissions and amusement tax exemption and the property tax credit if the individual (1) creates new or additional jobs or (2) makes a capital investment to qualify for specified property tax and income tax credits regarding the enterprise zone tax credits.

An ABC District is defined as a district of public and private uses that is distinguished by cultural resources and landmarks that play a vital role in the life and development of, and contribute to, the community through interpretive, educational, and recreational uses.

A qualifying individual is defined as an individual who owns or rents residential real property in the ABC District or conducts a business in the ABC District.

Current Law: Upon application from an eligible local government, the Secretary of Business and Economic Development may designate an area as an arts and entertainment district only if the area is a contiguous geographic area that is wholly within a priority funding area. An arts and entertainment district is a developed district of public and private uses that (1) is distinguished by resources that play a vital role in community development and contribute to the public through interpretive, educational, and recreational uses; and (2) ranges in size from a portion of a political subdivision to a regional district with a special coherence.

Baltimore City's real property tax rate is \$2.268 per \$100 of assessment for fiscal 2013. Baltimore City also imposes a 10% admissions and amusement tax.

Background: Chapter 608 of 2001 (SB 586) authorized DBED to establish arts and entertainment districts within a county or municipality. Counties and municipalities must apply to DBED to have an area designated as an arts and entertainment district. The district must be wholly within a priority funding area and a designated neighborhood. Chapter 608 expanded the permissible uses of the Maryland Economic Development Assistance Fund to allow DBED to use the fund to provide financial assistance to arts and entertainment enterprises and arts and entertainment projects.

Several tax benefits are available in arts and entertainment districts:

- qualifying residing artists may exempt from State and local income taxes the income derived within the district from the publication, production, or sale of artistic work created by the qualifying artist;
- a county or municipality may grant, by law, a property tax credit against the property tax imposed on a manufacturing, commercial, or industrial building that is located in an arts and entertainment district, and is wholly or partially renovated to be capable for use by a qualifying artist or an arts and entertainment enterprise; and
- a county or municipality may exempt from the admissions and amusement tax gross receipts from any admissions or amusement charge levied by an arts and entertainment enterprise or qualified residing artist in an arts and entertainment district.

The arts and entertainment district program is administered by DBED. Since 2001, 20 arts and entertainment districts have been designated. DBED notes that the process for designation requires public and community support, substantial application submission, and committee review. The process exists to identify areas where there is significant community support and potential for success.

Baltimore City currently has three State-designated arts and entertainment districts: (1) Station North A&E District; (2) Highlandtown A&E District; and (3) Bromo Tower A&E District.

Local Fiscal Effect: Baltimore City property tax revenues and admissions and amusement tax revenues will decrease beginning in fiscal 2015 to the extent the city provides the property tax credit and admissions and amusement tax exemption specified by the bill. The amount of the decrease depends on the number of qualifying individuals in the ABC District, property values, and/or gross receipts subject to the admissions and amusement tax.

The State Department of Assessments and Taxation (SDAT) has identified 1,005 residential accounts and 75 commercial accounts that may fall within the boundaries of the ABC District established by the bill. These properties have an average taxable assessment of \$31,232 and \$222,520, respectively. SDAT has also identified 579 exempt accounts with an average full cash value of \$187,403.

As a point of reference, **Exhibit 1** shows Baltimore City property tax and admissions and amusement tax revenues for fiscal 2011 through 2013. **Exhibit 2** provides selected economic indicators for Maryland counties. **Exhibit 3** shows the change in employment for each county from the first quarter in 2007 to the first quarter in 2012.

Exhibit 1
Property Tax and Admissions and Amusement Tax Revenue in Baltimore City
Fiscal 2011-2013

<u>Fiscal Year</u>	<u>Property Tax Revenue</u>	<u>Admissions and Amusement Tax Revenue</u>
2011	\$793,716,814	\$8,184,509
2012	777,640,768	7,500,000
2013	769,782,914	7,950,000

DBED advises that within designated arts and entertainment districts the property tax credit and admissions and amusement tax exemption are place only for “arts and entertainment enterprises” (which are defined as those dedicated to the visual or performing arts). DBED indicates that the majority of these enterprises are nonprofit organizations which, in most instances, are already exempt from the admissions and amusements tax as well as State and local property taxes.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Baltimore City, Department of Business and Economic Development, Comptroller’s Office, Department of Legislative Services

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Exhibit 2
Economic Indicators for Maryland Counties

<u>County</u>	<u>Average Weekly Wage</u>		<u>Unemployment Rate</u>			<u>Median Household Income</u>		<u>Median Home Price</u>		
	<u>CY 2011</u>	<u>Percent of State Average</u>	<u>CY 2010</u>	<u>CY 2011</u>	<u>CY 2012</u>	<u>CY 2009-2011</u>	<u>Percent of State Average</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>Percent Change</u>
Allegany	\$659	64.4%	9.3%	8.5%	8.0%	\$38,273	53.7%	\$101,400	\$100,000	-1.4%
Anne Arundel	979	95.7%	7.1%	6.4%	6.1%	84,409	118.4%	316,000	315,000	-0.3%
Baltimore City	1,076	105.2%	11.8%	10.5%	10.2%	39,561	55.5%	151,000	135,000	-10.6%
Baltimore	942	92.1%	8.3%	7.5%	7.3%	64,814	90.9%	230,000	224,950	-2.2%
Calvert	809	79.1%	6.6%	5.9%	5.6%	91,638	128.5%	345,000	349,900	1.4%
Caroline	655	64.0%	9.9%	8.9%	8.2%	60,249	84.5%	170,000	159,950	-5.9%
Carroll	718	70.2%	7.2%	6.4%	6.2%	82,629	115.9%	289,000	285,000	-1.4%
Cecil	783	76.5%	10.2%	8.9%	8.4%	64,513	90.5%	250,000	234,950	-6.0%
Charles	781	76.3%	6.6%	6.0%	5.9%	91,725	128.7%	295,000	276,600	-6.2%
Dorchester	654	63.9%	11.2%	10.5%	10.2%	46,239	64.9%	164,500	150,000	-8.8%
Frederick	898	87.8%	6.9%	6.1%	5.7%	82,771	116.1%	290,500	291,000	0.2%
Garrett	593	58.0%	8.5%	7.5%	7.4%	44,753	62.8%	134,900	130,000	-3.6%
Harford	896	87.6%	8.0%	7.2%	7.0%	78,648	110.3%	272,000	260,000	-4.4%
Howard	1,125	110.0%	5.7%	5.1%	5.0%	104,375	146.4%	405,000	402,600	-0.6%
Kent	685	67.0%	8.8%	7.7%	7.2%	53,766	75.4%	226,750	235,000	3.6%
Montgomery	1,273	124.4%	5.8%	5.2%	5.0%	94,358	132.4%	407,500	397,000	-2.6%
Prince George's	1,023	100.0%	7.7%	7.0%	6.7%	72,178	101.2%	225,450	210,000	-6.9%
Queen Anne's	655	64.0%	7.4%	6.9%	6.2%	85,032	119.3%	315,000	308,800	-2.0%
St. Mary's	1,190	116.3%	6.5%	6.0%	5.8%	83,603	117.3%	273,000	275,000	0.7%
Somerset	736	71.9%	11.6%	10.4%	10.2%	40,731	57.1%	131,000	136,000	3.8%
Talbot	715	69.9%	8.5%	7.7%	7.4%	60,778	85.2%	282,500	275,200	-2.6%
Washington	721	70.5%	10.9%	9.8%	8.6%	52,334	73.4%	191,200	185,000	-3.2%
Wicomico	715	69.9%	9.5%	9.0%	8.5%	49,278	69.1%	170,500	157,000	-7.9%
Worcester	562	54.9%	13.2%	12.5%	11.4%	56,450	79.2%	225,000	218,000	-3.1%
Maryland	\$1,023	100.0%	7.8%	7.0%	6.8%	\$71,294	100.0%	\$286,000	\$275,000	-3.8%

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

Exhibit 3
Employment Growth in Maryland Counties – Over a Five-year Period
First Quarter 2007 and 2012

County	<u>Average Employment within Jurisdiction</u>				<u>Jobs Per 1,000 Residents</u>			
	1st Q 2007	1st Q 2012	Difference	% Difference	Rank	1st Q 2012	Percent of State Average	Rank
Allegany	28,931	28,860	-71	-0.2%	5	386.4	91.2%	10
Anne Arundel	228,131	233,304	5,173	2.3%	4	428.6	101.1%	8
Baltimore City	340,706	325,928	-14,778	-4.3%	14	526.1	124.1%	2
Baltimore	371,326	357,781	-13,545	-3.6%	12	441.7	104.2%	6
Calvert	21,468	21,157	-311	-1.4%	7	237.0	55.9%	24
Caroline	8,853	8,418	-435	-4.9%	16	255.2	60.2%	22
Carroll	56,086	54,652	-1,434	-2.6%	9	326.7	77.1%	17
Cecil	30,069	27,995	-2,074	-6.9%	19	275.3	64.9%	19
Charles	41,559	40,021	-1,538	-3.7%	13	268.4	63.3%	21
Dorchester	11,434	10,597	-837	-7.3%	21	324.7	76.6%	18
Frederick	93,655	90,781	-2,874	-3.1%	10	383.5	90.5%	11
Garrett	11,591	11,171	-420	-3.6%	11	371.7	87.7%	12
Harford	82,582	85,380	2,798	3.4%	3	346.4	81.7%	15
Howard	145,385	154,503	9,118	6.3%	2	527.1	124.4%	1
Kent	8,095	7,380	-715	-8.8%	24	365.3	86.2%	14
Montgomery	455,155	444,104	-11,051	-2.4%	8	448.7	105.9%	4
Prince George's	310,135	294,717	-15,418	-5.0%	17	338.3	79.8%	16
Queen Anne's	13,682	13,010	-672	-4.9%	15	269.1	63.5%	20
St. Mary's	38,507	41,580	3,073	8.0%	1	386.8	91.3%	9
Somerset	6,916	6,411	-505	-7.3%	20	243.4	57.4%	23
Talbot	18,604	17,213	-1,391	-7.5%	22	452.7	106.8%	3
Washington	66,170	65,536	-634	-1.0%	6	442.2	104.3%	5
Wicomico	46,486	43,807	-2,679	-5.8%	18	441.6	104.2%	7
Worcester	20,580	18,959	-1,621	-7.9%	23	368.0	86.8%	13
Unallocated	50,407	67,055	16,648	33.0%				
Maryland	2,506,513	2,470,320	-36,193	-1.4%		423.8	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