

Department of Legislative Services  
Maryland General Assembly  
2013 Session

FISCAL AND POLICY NOTE

Senate Bill 164

(Senator Pipkin)

Budget and Taxation

Ways and Means

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Queen Anne's County - Property Tax Credit - Commercial Investment and  
Economic Development

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This bill reduces the minimum number of new employees, from 25 to 12, which are required to be employed for a business in Queen Anne's County to qualify for a local property tax credit for commercial investment and economic development.

The bill takes effect June 1, 2013, and applies to all taxable years beginning after June 30, 2013.

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Fiscal Summary

**State Effect:** None.

**Local Effect:** Potential decrease in Queen Anne's County property tax revenues. The amount of the decrease depends on the number of businesses that qualify for the credit and the value of improvements made. No effect on local expenditures.

**Small Business Effect:** Potential meaningful. To the extent that small businesses qualify for the tax credit, they would realize a reduction in county property tax payments.

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Analysis

**Current Law:** Chapter 379 of 2007 (HB 143) authorized Queen Anne's County to grant, by law, a property tax credit for real property owned by a business that meets specified criteria related to employment and real property improvements of a nonresidential structure. The county is authorized to further define, fix, or limit the amount, terms, scope, and duration of any credit authorized.

To be eligible for the property tax credit, a business must (1) make significant real property improvements in the county, including construction, reconstruction, rehabilitation, or expansion of a nonresidential structure and (2) employ at least 25 new additional full-time employees. In the year following the real property improvement, the amount of the tax credit is limited to a certain percentage of the county property tax imposed on the increased assessment as shown below.

<u>Taxable Year</u>	<u>Percent</u>
First	80%
Second	60%
Third	40%
Fourth	20%
Fifth and Later	0%

#### *Additional Property Tax Credit Programs*

Queen Anne’s County and its municipalities must grant a property tax credit for property that is not used for a commercial purpose and is owned by (1) the Ingleside Community Group; (2) the Lions Club of Kent Island, Maryland; (3) the Price Community Club; (4) the Ruthsburg Community Club; (5) the Sudlersville Community Betterment Club; (6) the Templeville Community Association; (7) the William T. Roe Memorial Range; or (8) the Kent Island Volunteer Fire Department.

Queen Anne’s County is required to grant a property tax credit for real property that is (1) owned by the Maryland Jaycees and (2) used as the principal office of the organization.

Queen Anne’s County is authorized to grant a property tax credit for real property that is (1) owned by the Wildfowl Trust of North America and (2) is used solely for the maintenance of a natural area for public use, a sanctuary for wildlife, the environmental education of the public, scientific research in ornithology, or the general management of wildlife. In addition, the county government may grant a property tax credit for property owned by the foster parent of a child.

**Local Fiscal Effect:** Queen Anne’s County indicates that, to date, no businesses have qualified for and claimed the existing property tax credit authorized by Chapter 379. The county estimates that two or three businesses may potentially claim the credit as a result of the changes proposed by the bill. As a result, county property tax revenues will decrease; however, the amount of the decrease depends on the number of businesses that qualify for the credit and the value of improvements made.

The State Department of Assessments and Taxation indicates that in Queen Anne's County for fiscal 2013, 698 properties have commercial improvements, 272 vacant parcels have a commercial zoning, 17 properties have industrial improvements, and 9 vacant parcels have industrial zoning. For fiscal 2013, the average commercial assessment, for improved properties, is \$942,900 and the average industrial assessment, for improved properties, is approximately \$3.1 million.

**Exhibit 1** shows the effect of the credit on each \$250,000 of increased assessment, over the four-year period of the credit.

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**Exhibit 1**  
**Effect of Credit for Each \$250,000 of Increased Assessment**

<u>Credit Year</u>	<u>Credit Percentage</u>	<u>Tax Rate</u>	<u>Value of Credit</u>
First Year	80%	\$0.8471	\$1,694
Second Year	60%	0.8471	1,271
Third Year	40%	0.8471	847
Fourth Year	20%	0.8471	424
Fifth Year	0%	0.8471	0

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 201 (Delegate Hershey, *et al.*) - Ways and Means.

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

**Fiscal Note History:** First Reader - February 4, 2013  
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