

Department of Legislative Services  
Maryland General Assembly  
2013 Session

**FISCAL AND POLICY NOTE**

Senate Bill 506

(Senator Shank, *et al.*)

Budget and Taxation

Ways and Means

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**Washington County - Technology-Related Businesses - Payment in Lieu of Taxes Agreements**

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This bill authorizes Washington County to enter into a negotiated payment in lieu of taxes agreement for all or a specified part of the personal property owned by a technology-related business that is located or locates in Washington County. The personal property of a technology-related business is exempt from Washington County property taxes for the duration of the agreement.

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

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Washington County property tax revenues may decrease beginning in FY 2014 to the extent the county enters into payment in lieu of taxes agreements with technology-related businesses. The amount of any decrease depends on the number of technology-related businesses in the county and the assessed value of personal property held by these businesses. Property tax decreases will be mitigated by negotiated payment in lieu of taxes agreements between the county and technology-related businesses.

**Small Business Effect:** Potential meaningful. To the extent small businesses in Washington County are able to participate in payment in lieu of taxes agreements, they may realize a reduction in personal property taxes.

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## Analysis

**Current Law:** 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:** Washington County property tax revenues may decrease beginning in fiscal 2014 to the extent the county enters into payment in lieu of taxes agreements with technology-related businesses. The amount of any revenue decrease depends on the number of technology-related business in the county and the assessed value of personal property held by these businesses. For fiscal 2013, the county personal property tax rate is \$2.37 per \$100 of assessed value. The taxable business personal property assessable base is \$364.9 million. Washington County receives approximately \$13.0 million in personal property tax revenue annually. Two entities pay over \$1.0 million in personal property taxes and 10 entities pay between \$100,000 and \$1.0 million each year.

However, any property tax revenue decrease will be mitigated by negotiated payment in lieu of taxes agreements between the county and technology-related businesses. 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 2007 to the first quarter in 2012. **Exhibit 3** shows the changes in employment from the first quarter in 2010 to the first quarter in 2012.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 551 (Washington County Delegation) - Ways and Means.

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

**Fiscal Note History:** First Reader - February 12, 2013  
mc/hlb

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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 2011	Percent of State Average	CY 2010	CY 2011	CY 2012	CY 2009-2011	Percent of State Average	FY 2011	FY 2012	Percent Change
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%
<b>Maryland</b>	<b>\$1,023</b>	<b>100.0%</b>	<b>7.8%</b>	<b>7.0%</b>	<b>6.8%</b>	<b>\$71,294</b>	<b>100.0%</b>	<b>\$286,000</b>	<b>\$275,000</b>	<b>-3.8%</b>

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 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%				
<b>Maryland</b>	<b>2,506,513</b>	<b>2,470,320</b>	<b>-36,193</b>	<b>-1.4%</b>		<b>423.8</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 3**  
**Employment Growth in Maryland Counties – Two-year Comparison**  
**First Quarter 2010 through 2012**

<b>County</b>	<b>Average Employment Within Jurisdiction</b>			<b>Job Growth from 1st Q 2010 to 1st Q 2011</b>			<b>Job Growth from 1st Q 2011 to 1st Q 2012</b>		
	<b>1st Q 2010</b>	<b>1st Q 2011</b>	<b>1st Q 2012</b>	<b>Difference</b>	<b>% Difference</b>	<b>Rank</b>	<b>Difference</b>	<b>% Difference</b>	<b>Rank</b>
Allegany	28,747	28,671	28,860	-76	-0.3%	23	189	0.7%	16
Anne Arundel	220,228	223,062	233,304	2,834	1.3%	11	10,242	4.6%	3
Baltimore City	320,403	325,617	325,928	5,214	1.6%	10	311	0.1%	21
Baltimore	355,189	354,669	357,781	-520	-0.1%	22	3,112	0.9%	13
Calvert	20,420	21,027	21,157	607	3.0%	4	130	0.6%	17
Caroline	8,192	8,292	8,418	100	1.2%	12	126	1.5%	9
Carroll	52,772	53,100	54,652	328	0.6%	18	1,552	2.9%	6
Cecil	26,916	27,129	27,995	213	0.8%	15	866	3.2%	5
Charles	38,924	39,804	40,021	880	2.3%	6	217	0.5%	18
Dorchester	10,591	10,547	10,597	-44	-0.4%	24	50	0.5%	19
Frederick	89,106	89,789	90,781	683	0.8%	16	992	1.1%	12
Garrett	11,069	11,093	11,171	24	0.2%	19	78	0.7%	14
Harford	78,828	80,588	85,380	1,760	2.2%	7	4,792	5.9%	1
Howard	141,169	147,357	154,503	6,188	4.4%	1	7,146	4.8%	2
Kent	7,179	7,297	7,380	118	1.6%	9	83	1.1%	11
Montgomery	433,226	443,159	444,104	9,933	2.3%	5	945	0.2%	20
Prince George's	292,271	294,584	294,717	2,313	0.8%	14	133	0.0%	22
Queen Anne's	12,292	12,699	13,010	407	3.3%	3	311	2.4%	7
St. Mary's	39,850	41,292	41,580	1,442	3.6%	2	288	0.7%	15
Somerset	6,417	6,424	6,411	7	0.1%	20	-13	-0.2%	23
Talbot	17,291	17,298	17,213	7	0.0%	21	-85	-0.5%	24
Washington	62,279	63,034	65,536	755	1.2%	13	2,502	4.0%	4
Wicomico	42,924	43,198	43,807	274	0.6%	17	609	1.4%	10
Worcester	18,216	18,548	18,959	332	1.8%	8	411	2.2%	8
Unallocated	56,817	64,147	67,055	7,330	12.9%		2,908	4.5%	
<b>Maryland</b>	<b>2,391,316</b>	<b>2,432,425</b>	<b>2,470,320</b>	<b>41,109</b>	<b>1.7%</b>		<b>37,895</b>	<b>1.6%</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