

Department of Legislative Services  
Maryland General Assembly  
2014 Session

FISCAL AND POLICY NOTE

House Bill 950  
Ways and Means

(Delegate Hogan)

Budget and Taxation

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Property Tax - Charitable, Educational, or Religious Properties - Tax on  
Formerly Exempt Property

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This bill requires that when a tax-exempt property used by a charitable, educational, or religious group or organization is sold and is no longer entitled to the property tax exemption, the property tax is payable for the remainder of the taxable year from the date of transfer.

The bill takes effect June 1, 2014, and applies to taxable years beginning after June 30, 2014.

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Fiscal Summary

**State Effect:** Annuity Bond Fund revenues increase beginning in FY 2015. The amount of the increase depends on the number and assessed value of properties that lose their tax-exempt status within a given year. Expenditures are not affected.

**Local Effect:** Local property tax revenues increase beginning in FY 2015. The amount of the increase depends on the number of assessed value of properties that lose their tax-exempt status within a given year. Expenditures are not affected.

**Small Business Effect:** Minimal.

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Analysis

**Current Law:** When a property that was formerly exempt for public purposes is sold and the property is no longer eligible for an exemption, the property tax is payable for the remainder of the taxable year from the date of sale.

Generally, State law exempts certain types of real property from property taxation such as government-owned, charitable, benevolent, educational, churches, veterans' organizations, fire companies, historical societies, and museums. The State Department of Assessments and Taxation (SDAT) is responsible for determining exemptions that are specified by law. The department is required by law to assess all exempt real property, except property owned by the federal government.

The major exemptions from the local real property tax are 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.

**Background:** In fiscal 2014, tax-exempt properties in Maryland have assessed values totaling almost \$80 billion and account for 11% of the assessable property tax base in the State. **Exhibit 1** provides a comparison of tax-exempt real property for each county in Maryland on a per-capita basis and as a percent of the total property base. **Exhibit 2** shows the amount of exempt property in each county by tax-exempt category. **Exhibit 3** shows the estimated revenue loss associated with each jurisdiction's tax-exempt property and its property tax rate equivalent. **Exhibit 4** shows the revenue effect for each tax-exempt category. **Exhibit 5** outlines the general definitions of the various types of tax-exempt property in the State.

**State Fiscal Effect:** SDAT advises that for practical purposes, when a property loses its tax-exempt status, property taxes are not paid until the beginning of the next taxable year. As a result, Annuity Bond Fund revenues will increase beginning in fiscal 2015, to the extent properties lose their tax-exempt status. The amount of the increase depends on the number of tax-exempt properties that lose their tax-exempt status, the assessed value of the property, and when during the taxable year the exemption is lost. Exemptions lost earlier in the taxable year will owe more tax on a prorated basis than exemptions lost later in the year.

As a point of reference, **Exhibit 6** shows the number of exemptions that were lost during fiscal 2013 and the assessed value for these properties. SDAT estimates that between 60% and 70% of lost exemptions are the result of a property transfer.

**Local Fiscal Effect:** Local property tax revenues will increase in the same manner as State revenues.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 4, 2014  
ncs/hlb

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Analysis by: Michael Sanelli

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

**Exhibit 1**  
**Comparison of Tax-exempt Real Property in Fiscal 2014**  
**Per Capita Basis and Percent of Total Property Base**

<u>County</u>	<u>Real Property Assessable Base (\$ in Millions)</u>	<u>Tax-exempt Property (\$ in Millions)</u>	<u>Total Property Base (\$ in Millions)</u>	<u>Percent Tax Exempt</u>		<u>Tax-exempt Property Per Capita Basis</u>		<u>Tax-exempt Property Percent of Total Base</u>		
Allegany	\$3,587	\$1,322	\$4,908	26.9%	1.	<b>Baltimore City</b>	<b>\$25,002</b>	1.	<b>Baltimore City</b>	<b>31.6%</b>
Anne Arundel	73,251	6,265	79,516	7.9%	2.	St. Mary's	18,968	2.	Allegany	26.9%
<b>Baltimore City</b>	<b>33,619</b>	<b>15,535</b>	<b>49,154</b>	<b>31.6%</b>	3.	Allegany	17,859	3.	Somerset	22.7%
Baltimore	75,160	7,436	82,596	9.0%	4.	Montgomery	17,735	4.	Wicomico	17.5%
Calvert	11,247	952	12,199	7.8%	5.	Garrett	15,949	5.	St. Mary's	15.0%
Caroline	2,540	306	2,847	10.8%	6.	Somerset	15,289	6.	Washington	13.5%
Carroll	17,967	1,947	19,914	9.8%	7.	Kent	14,615	7.	Dorchester	13.1%
Cecil	9,278	856	10,133	8.4%	8.	Queen Anne's	14,246	8.	Charles	11.9%
Charles	15,333	2,078	17,412	11.9%	9.	Charles	13,802	9.	Prince George's	10.9%
Dorchester	2,879	433	3,313	13.1%	10.	Dorchester	13,316	10.	Caroline	10.8%
Frederick	25,156	2,587	27,744	9.3%	11.	Worcester	13,144	11.	Montgomery	10.0%
Garrett	4,618	476	5,095	9.3%	12.	Washington	12,379	12.	Carroll	9.8%
Harford	24,547	2,537	27,084	9.4%	13.	Talbot	12,297	13.	Kent	9.5%
Howard	42,505	2,868	45,374	6.3%	14.	Wicomico	12,241	14.	Harford	9.4%
Kent	2,817	295	3,112	9.5%	15.	Carroll	11,641	15.	Garrett	9.3%
Montgomery	161,084	17,819	178,903	10.0%	16.	Anne Arundel	11,381	16.	Frederick	9.3%
Prince George's	72,751	8,873	81,625	10.9%	17.	Frederick	10,799	17.	Baltimore	9.0%
Queen Anne's	7,646	692	8,338	8.3%	18.	Calvert	10,626	18.	Cecil	8.4%
St. Mary's	11,712	2,067	13,780	15.0%	19.	Harford	10,204	19.	Queen Anne's	8.3%
Somerset	1,365	401	1,767	22.7%	20.	Prince George's	10,070	20.	Anne Arundel	7.9%
Talbot	8,808	469	9,277	5.1%	21.	Howard	9,580	21.	Calvert	7.8%
Washington	11,857	1,847	13,704	13.5%	22.	Caroline	9,366	22.	Howard	6.3%
Wicomico	5,811	1,232	7,043	17.5%	23.	Baltimore	9,096	23.	Talbot	5.1%
Worcester	14,805	678	15,483	4.4%	24.	Cecil	8,414	24.	Worcester	4.4%
<b>Total</b>	<b>\$640,345</b>	<b>\$79,973</b>	<b>\$720,318</b>	<b>11.1%</b>		<b>Statewide</b>	<b>\$13,590</b>		<b>Statewide</b>	<b>11.1%</b>

Source: Department of Legislative Services

**Exhibit 2**  
**State Tax-exempt Assessments in Fiscal 2014**  
(\$ in Millions)

<b>County</b>	<b>Federal</b>	<b>State</b>	<b>County/ Municipal</b>	<b>Educational</b>	<b>Religious</b>	<b>Charitable/ Fraternal</b>	<b>Individual</b>	<b>Total</b>
Allegany	\$86	\$464	\$327	\$14	\$113	\$299	\$19	\$1,322
Anne Arundel	1,312	1,274	1,956	346	624	533	220	6,265
<b>Baltimore City</b>	<b>774</b>	<b>4,275</b>	<b>4,509</b>	<b>1,380</b>	<b>1,362</b>	<b>3,182</b>	<b>53</b>	<b>15,535</b>
Baltimore	521	1,810	2,627	431	1,199	693	153	7,436
Calvert	73	118	503	13	132	81	32	952
Caroline	8	63	121	22	53	31	9	306
Carroll	14	185	1,030	154	314	213	37	1,947
Cecil	102	142	297	41	130	114	30	856
Charles	904	144	685	12	178	84	72	2,078
Dorchester	28	86	93	2	59	52	114	433
Frederick	350	133	991	287	412	356	58	2,587
Garrett	5	165	206	4	68	19	10	476
Harford	889	102	870	51	258	262	104	2,537
Howard	93	601	1,523	63	341	165	81	2,868
Kent	10	32	83	77	40	46	7	295
Montgomery	3,115	1,011	8,364	803	3,167	917	442	17,819
Prince George's	2,444	1,706	2,619	151	1,222	397	335	8,873
Queen Anne's	3	205	317	6	83	52	26	692
St. Mary's	1,101	216	464	107	100	44	34	2,067
Somerset	4	234	77	6	33	40	8	401
Talbot	18	23	162	24	84	136	22	469
Washington	68	277	653	52	354	407	36	1,847
Wicomico	5	387	427	16	145	233	19	1,232
Worcester	88	79	301	16	100	75	19	678
<b>Total</b>	<b>\$12,015</b>	<b>\$13,734</b>	<b>\$29,205</b>	<b>\$4,078</b>	<b>\$10,570</b>	<b>\$8,431</b>	<b>\$1,938</b>	<b>\$79,973</b>

Source: State Department of Assessments and Taxation

**Exhibit 3**  
**Revenue Impact of Tax-exempt Real Property in Fiscal 2014**  
**Per Capita Basis and Property Tax Rate Equivalent**

<b>County</b>	<b>Real Property Tax Rate</b>	<b>Tax-exempt Property (\$ in Millions)</b>	<b>Estimated Revenue Loss (\$ in Millions)</b>	<b>Per Capita Revenue Loss</b>	<b>Estimated Revenue Loss Per Capita Basis</b>	<b>Estimated Revenue Loss Tax Rate Equivalent</b>
Allegany	\$0.9800	\$995	\$10	\$132	1. Baltimore City	\$0.5552
Anne Arundel	0.9500	4,309	41	74	2. Allegany	0.2128
Baltimore City	2.2480	11,026	248	399	3. St. Mary's	0.1758
Baltimore	1.1000	4,808	53	65	4. Somerset	0.1105
Calvert	0.8920	449	4	45	5. Charles	0.1044
Caroline	0.9400	185	2	53	6. Kent	0.1033
Carroll	1.0180	917	9	56	7. Dorchester	0.1032
Cecil	0.9907	559	6	54	8. Montgomery	0.1004
Charles	1.2050	1,394	17	112	9. Prince George's	0.0867
Dorchester	0.9760	341	3	102	10. Garrett	0.0716
Frederick	1.0640	1,596	17	71	11. Washington	0.0663
Garrett	0.9900	270	3	90	12. Anne Arundel	0.0661
Harford	1.0420	1,667	17	70	13. Wicomico	0.0640
Howard	1.1900	1,345	16	53	14. Frederick	0.0635
Kent	1.0220	212	2	107	15. Harford	0.0566
Montgomery	1.0210	9,455	97	96	16. Queen Anne's	0.0563
Prince George's	1.3190	6,254	82	94	17. Baltimore	0.0547
Queen Anne's	0.8471	375	3	65	18. Worcester	0.0528
St. Mary's	0.8570	1,604	14	126	19. Carroll	0.0494
Somerset	0.9150	325	3	113	20. Cecil	0.0397
Talbot	0.5120	306	2	41	21. Howard	0.0365
Washington	0.9480	1,194	11	76	22. Caroline	0.0343
Wicomico	0.9086	805	7	73	23. Calvert	0.0191
Worcester	0.7700	377	3	56	24. Talbot	0.0172
<b>Total</b>		<b>\$50,767</b>	<b>\$669</b>	<b>\$114</b>	<b>Statewide</b>	<b>\$0.0969</b>

Note: Tax-exempt property excludes county/municipal.  
Source: Department of Legislative Services

**Exhibit 4**  
**Revenue Impact of Tax-exempt Real Property in Fiscal 2014**  
(\$ in Millions)

<b>County</b>	<b>Federal</b>	<b>State</b>	<b>Educational</b>	<b>Religious</b>	<b>Charitable/ Fraternal</b>	<b>Individual</b>	<b>Total</b>
Allegany	\$0.8	\$4.6	\$0.1	\$1.1	\$2.9	\$0.2	\$9.8
Anne Arundel	12.5	12.1	3.3	5.9	5.1	2.1	40.9
<b>Baltimore City</b>	<b>17.4</b>	<b>96.1</b>	<b>31.0</b>	<b>30.6</b>	<b>71.5</b>	<b>1.2</b>	<b>247.9</b>
Baltimore	5.7	19.9	4.7	13.2	7.6	1.7	52.9
Calvert	0.7	1.1	0.1	1.2	0.7	0.3	4.0
Caroline	0.1	0.6	0.2	0.5	0.3	0.1	1.7
Carroll	0.1	1.9	1.6	3.2	2.2	0.4	9.3
Cecil	1.0	1.4	0.4	1.3	1.1	0.3	5.5
Charles	10.9	1.7	0.1	2.1	1.0	0.9	16.8
Dorchester	0.3	0.8	0.0	0.6	0.5	1.1	3.3
Frederick	3.7	1.4	3.1	4.4	3.8	0.6	17.0
Garrett	0.0	1.6	0.0	0.7	0.2	0.1	2.7
Harford	9.3	1.1	0.5	2.7	2.7	1.1	17.4
Howard	1.1	7.2	0.8	4.1	2.0	1.0	16.0
Kent	0.1	0.3	0.8	0.4	0.5	0.1	2.2
Montgomery	31.8	10.3	8.2	32.3	9.4	4.5	96.5
Prince George's	32.2	22.5	2.0	16.1	5.2	4.4	82.5
Queen Anne's	0.0	1.7	0.0	0.7	0.4	0.2	3.2
St. Mary's	9.4	1.9	0.9	0.9	0.4	0.3	13.7
Somerset	0.0	2.1	0.1	0.3	0.4	0.1	3.0
Talbot	0.1	0.1	0.1	0.4	0.7	0.1	1.6
Washington	0.6	2.6	0.5	3.4	3.9	0.3	11.3
Wicomico	0.0	3.5	0.1	1.3	2.1	0.2	7.3
Worcester	0.7	0.6	0.1	0.8	0.6	0.1	2.9
<b>Total</b>	<b>\$138.7</b>	<b>\$197.2</b>	<b>\$58.9</b>	<b>\$128.1</b>	<b>\$125.2</b>	<b>\$21.3</b>	<b>\$669.4</b>

Source: State Department of Assessments and Taxation

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**Exhibit 5**  
**General Tax-exempt Property**  
**Categories in Maryland**

<u>Category</u>	<u>Definition</u>
<b>Religious</b>	Religious groups may receive an exemption for properties used exclusively for public religious worship, a parsonage or convent, or educational purposes. The law does not extend this type of exemption to properties owned by religious groups that are used as a caretaker's residence, a residence for a minister of music, or a residence for an administrator or other employee.
<b>Charitable</b>	These groups must demonstrate that the use of the property serves the traditional objects of charity and not just merely providing a service to a particular segment of the community. Moreover, nonprofit use is not the equivalent of charitable.
<b>Fraternal, Sororal</b>	These organizations are generally limited to receiving an exemption on property used as a meeting location.
<b>Educational</b>	These groups must show that the property's use adds to the systematic dissemination of education or knowledge to the general public of Maryland. Hobby support organizations do not meet the tests for receiving this type of exemption.
<b>Blind Persons</b>	Those persons with a central visual acuity of 20/200 or less in the better eye may receive, with a doctor's certification, an exemption of \$15,000 of assessment reduction on the dwelling house and surrounding yard. Legally blind persons may apply at any time and need not meet the general September 1 filing deadline.
<b>Disabled Veterans and Surviving Spouses</b>	Armed Services veterans with a permanent, service-connected disability rated 100% by the Veterans Administration may receive a complete exemption from real property taxes on the dwelling house and surrounding yard. These veterans also may apply at any time and do not have to meet the September 1 filing deadline. Unremarried surviving spouses also may apply for this exemption. Surviving spouses of military personnel killed in the line of duty may apply for an exemption.
<b>Other Exemptions</b>	There are other special tax exemptions granted to government-owned properties, cemeteries, community water systems, fire companies and rescue squads, historical societies, housing authorities, environmental conservation groups, and certain specifically named organizations.

Source: State Department of Assessments and Taxation

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**Exhibit 6**  
**Lost Property Tax Exemptions**  
**Fiscal 2013**

<b>County</b>	<b>Lost Exemptions</b>	<b>Assessment</b>	<b>Average Assessment</b>
Allegany	58	\$7,096,860	\$122,360
Anne Arundel	172	24,515,751	142,533
Baltimore City	681	153,323,248	225,144
Baltimore	167	333,319,953	1,995,928
Calvert	23	16,159,300	702,578
Caroline	18	1,177,040	65,391
Carroll	59	10,549,845	178,811
Cecil	21	1,775,250	84,536
Charles	36	2,944,087	81,780
Dorchester	43	104,775,520	2,436,640
Frederick	115	51,734,726	449,867
Garrett	63	11,789,833	187,140
Harford	54	7,588,937	140,536
Howard	67	14,078,690	210,130
Kent	7	28,025	4,004
Montgomery	240	504,789,993	2,103,292
Prince George's	286	120,397,448	420,970
Queen Anne's	23	4,134,998	179,783
St. Mary's	16	1,474,500	92,156
Somerset	13	1,929,198	148,400
Talbot	36	3,209,806	89,161
Washington	77	22,065,793	286,569
Wicomico	26	3,311,200	127,354
Worcester	25	1,118,690	44,748

Source: State Department of Assessments and Taxation

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