

SENATE BILL 356

Q1

5lr1839
CF HB 497

By: **Senator McFadden (By Request – Baltimore City Administration)**

Introduced and read first time: February 6, 2015

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 19, 2015

CHAPTER _____

1 AN ACT concerning

2 ~~**Property Tax Exemption – Low Income Housing – Ownership by Limited**~~
3 ~~**Liability Company**~~

4 **Baltimore City – Property Tax Exemption – Low Income Housing**

5 FOR the purpose of providing an exemption, under certain circumstances, from property
6 tax for certain real property located in Baltimore City if, under certain
7 circumstances, the owner of the real property is a certain ~~limited liability company~~
8 business entity or is a certain limited partnership whose managing general partner
9 is a certain ~~limited liability company~~ business entity; providing that the real
10 property may be exempt from property tax only under certain circumstances; ~~making~~
11 ~~conforming changes~~ authorizing a certain agreement to provide an abatement or
12 reduction of certain property taxes subject to a certain limitation under a certain
13 circumstance; requiring a certain division of certain negotiated payments in lieu of
14 taxes for certain property; defining a certain term; providing for the application of
15 this Act; and generally relating to a property tax exemption in Baltimore City for
16 certain housing for low income families.

17 BY ~~repealing and reenacting, with amendments,~~ adding to
18 Article – Tax – Property
19 Section ~~7-503~~ 7-503.1
20 Annotated Code of Maryland
21 (2012 Replacement Volume and 2014 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
2 That the Laws of Maryland read as follows:

3 **Article – Tax – Property**

4 ~~7-503.~~

5 ~~(a) (1) In this subsection, “essential service facilities” includes dining halls,~~
6 ~~community rooms, and infirmaries.~~

7 ~~(2) Real property that meets the requirements of subsection (b) of this~~
8 ~~section is not subject to property tax if the owner of the real property is:~~

9 ~~(i) 1. A. a person who meets the ownership requirements of~~
10 ~~§ 7-202 of this title;~~

11 ~~B. a nonprofit corporation that is exempt from income tax~~
12 ~~under § 10-104 of the Tax General Article; [or]~~

13 ~~C. A LIMITED LIABILITY COMPANY THAT IS WHOLLY~~
14 ~~OWNED BY A NONPROFIT CORPORATION THAT IS EXEMPT FROM INCOME TAX UNDER~~
15 ~~§ 10-104(2) OF THE TAX GENERAL ARTICLE; OR~~

16 ~~D. a nonprofit housing corporation as defined in § 12-104(b)~~
17 ~~of the Housing and Community Development Article; and~~

18 ~~2. engaged solely in constructing, operating, or managing~~
19 ~~rental housing and other related essential service facilities that:~~

20 ~~A. are substantially completed or substantially rehabilitated~~
21 ~~on and after July 1, 1973, or, in Montgomery County, substantially completed or~~
22 ~~substantially rehabilitated on and after January 1, 1968;~~

23 ~~B. are partially or totally financed under a government~~
24 ~~program that provides housing for low income families; and~~

25 ~~C. are operated on a nonprofit basis with the revenues from~~
26 ~~the operation of the housing and facilities controlled under the government program in~~
27 ~~order not to produce any net income; or~~

28 ~~(ii) 1. a limited partnership whose managing general partner is:~~

29 ~~A. a housing authority as defined in § 12-101 of the Housing~~
30 ~~and Community Development Article; [or]~~

1 ~~B. a nonprofit corporation that is exempt from income tax~~
2 ~~under § 10-104(2) of the Tax General Article;~~

3 ~~C. A LIMITED LIABILITY COMPANY THAT IS WHOLLY~~
4 ~~OWNED BY A NONPROFIT CORPORATION THAT IS EXEMPT FROM INCOME TAX UNDER~~
5 ~~§ 10-104(2) OF THE TAX GENERAL ARTICLE; or~~

6 ~~D. a for profit corporation in which 100% of the stock is owned~~
7 ~~by a nonprofit corporation that is exempt from income tax under § 10-104(2) of the Tax~~
8 ~~General Article; and~~

9 ~~2. engaged in the operation, construction, or management of~~
10 ~~a qualified low income housing project as defined in the Internal Revenue Code.~~

11 ~~(b) The real property described in subsection (a) of this section may be exempt~~
12 ~~from property tax only if:~~

13 ~~(1) the governing body of the political subdivision where the real property~~
14 ~~is located approves an agreement between:~~

15 ~~(i) the political subdivision and the owner for real property~~
16 ~~described in subsection (a)(2)(i)1A [and], B, AND C and (a)(2)(i)1B, C, AND D of this~~
17 ~~section; or~~

18 ~~(ii) the county and, where applicable, municipal corporation and the~~
19 ~~owner for real property described in subsection [(a)(2)(i)1C] (A)(2)(I)1D and (a)(2)(ii)1A of~~
20 ~~this section; and~~

21 ~~(2) under the agreement the owner pays the political subdivision or the~~
22 ~~county and, where applicable, municipal corporation a negotiated amount in lieu of the~~
23 ~~property tax.~~

24 ~~(c) (1) Except as provided under paragraph (2) of this subsection, an~~
25 ~~agreement under subsection (b) of this section may provide for abating or reducing property~~
26 ~~tax previously imposed on the real property.~~

27 ~~(2) For an agreement concerning real property described under subsection~~
28 ~~[(a)(2)(i)1C] (A)(2)(I)1D of this section, the abatement or reduction of property tax~~
29 ~~previously imposed is from the date during the taxable year when the instrument~~
30 ~~transferring title to that real property was recorded.~~

31 ~~(d) (1) For property described in subsection (a)(2)(i)1 and 2 of this section, any~~
32 ~~amount negotiated under this section in lieu of the property tax shall be divided between~~
33 ~~the State and the political subdivision in the ratio that the tax rate of the State, and the~~
34 ~~political subdivision each bears to the total of the tax rates of the State and the political~~
35 ~~subdivision.~~

~~(2) For property described in subsection [(a)(2)(i)1C] (A)(2)(i)1D of this section, any amount negotiated under this section in lieu of property tax shall be divided between the county and, where applicable, the municipal corporation in the ratio that the tax rate of the county and municipal corporation each bears to the total of the tax rates of the county and municipal corporation. The payment to the county and, where applicable, the municipal corporation may not exceed an amount equal to property tax imposed on similar property.~~

7-503.1.

(A) (1) IN THIS SECTION, "ESSENTIAL SERVICE FACILITIES" INCLUDES DINING HALLS, COMMUNITY ROOMS, AND INFIRMARIES.

(2) REAL PROPERTY LOCATED IN BALTIMORE CITY THAT MEETS THE REQUIREMENTS OF SUBSECTION (B) OF THIS SECTION IS NOT SUBJECT TO PROPERTY TAX IF THE OWNER OF THE REAL PROPERTY IS:

(i) 1. A. A PERSON WHO MEETS THE OWNERSHIP REQUIREMENTS OF § 7-202 OF THIS TITLE;

B. A NONPROFIT CORPORATION THAT IS EXEMPT FROM INCOME TAX UNDER § 10-104 OF THE TAX – GENERAL ARTICLE;

C. A LIMITED LIABILITY COMPANY THAT IS WHOLLY OWNED BY A NONPROFIT CORPORATION THAT IS EXEMPT FROM INCOME TAX UNDER § 10-104(2) OF THE TAX – GENERAL ARTICLE; OR

D. A NONPROFIT HOUSING CORPORATION AS DEFINED IN § 12-104(B) OF THE HOUSING AND COMMUNITY DEVELOPMENT ARTICLE; AND

2. ENGAGED SOLELY IN CONSTRUCTING, OPERATING, OR MANAGING RENTAL HOUSING AND OTHER RELATED ESSENTIAL SERVICE FACILITIES THAT:

A. ARE SUBSTANTIALLY COMPLETED OR SUBSTANTIALLY REHABILITATED ON AND AFTER JULY 1, 1973;

B. ARE PARTIALLY OR TOTALLY FINANCED UNDER A GOVERNMENT PROGRAM THAT PROVIDES HOUSING FOR LOW INCOME FAMILIES; AND

C. ARE OPERATED ON A NONPROFIT BASIS WITH THE REVENUES FROM THE OPERATION OF THE HOUSING AND FACILITIES CONTROLLED

1 UNDER THE GOVERNMENT PROGRAM IN ORDER NOT TO PRODUCE ANY NET INCOME;
2 OR

3 (II) 1. A LIMITED PARTNERSHIP WHOSE MANAGING
4 GENERAL PARTNER IS:

5 A. A HOUSING AUTHORITY AS DEFINED IN § 12-101 OF
6 THE HOUSING AND COMMUNITY DEVELOPMENT ARTICLE;

7 B. A NONPROFIT CORPORATION THAT IS EXEMPT FROM
8 INCOME TAX UNDER § 10-104(2) OF THE TAX – GENERAL ARTICLE;

9 C. A LIMITED LIABILITY COMPANY THAT IS WHOLLY
10 OWNED BY A NONPROFIT CORPORATION THAT IS EXEMPT FROM INCOME TAX UNDER
11 § 10-104(2) OF THE TAX – GENERAL ARTICLE; OR

12 D. A FOR-PROFIT CORPORATION IN WHICH 100% OF THE
13 STOCK IS OWNED BY A NONPROFIT CORPORATION THAT IS EXEMPT FROM INCOME
14 TAX UNDER § 10-104(2) OF THE TAX – GENERAL ARTICLE; AND

15 2. ENGAGED IN THE OPERATION, CONSTRUCTION, OR
16 MANAGEMENT OF A QUALIFIED LOW INCOME HOUSING PROJECT AS DEFINED IN THE
17 INTERNAL REVENUE CODE.

18 (B) THE REAL PROPERTY DESCRIBED IN SUBSECTION (A) OF THIS SECTION
19 MAY BE EXEMPT FROM PROPERTY TAX ONLY IF:

20 (1) THE MAYOR AND CITY COUNCIL OF BALTIMORE CITY ENTER
21 INTO AN AGREEMENT WITH THE OWNER OF REAL PROPERTY DESCRIBED IN
22 SUBSECTION (A) OF THIS SECTION; AND

23 (2) UNDER THE AGREEMENT THE OWNER PAYS BALTIMORE CITY A
24 NEGOTIATED AMOUNT IN LIEU OF THE PROPERTY TAX.

25 (C) (1) EXCEPT AS PROVIDED UNDER PARAGRAPH (2) OF THIS
26 SUBSECTION, AN AGREEMENT UNDER SUBSECTION (B) OF THIS SECTION MAY
27 PROVIDE FOR ABATING OR REDUCING PROPERTY TAX PREVIOUSLY IMPOSED ON THE
28 REAL PROPERTY.

29 (2) FOR AN AGREEMENT CONCERNING REAL PROPERTY DESCRIBED
30 UNDER SUBSECTION (A)(2)(i)1D OF THIS SECTION, THE ABATEMENT OR REDUCTION
31 OF PROPERTY TAX PREVIOUSLY IMPOSED IS FROM THE DATE DURING THE TAXABLE
32 YEAR WHEN THE INSTRUMENT TRANSFERRING TITLE TO THAT REAL PROPERTY WAS
33 RECORDED.

1 **(D) FOR PROPERTY DESCRIBED IN SUBSECTION (A)(2)(I) OF THIS SECTION,**
 2 **ANY AMOUNT NEGOTIATED UNDER THIS SECTION IN LIEU OF PROPERTY TAX SHALL**
 3 **BE DIVIDED BETWEEN THE STATE AND BALTIMORE CITY IN THE RATIO THAT THE**
 4 **TAX RATE OF THE STATE AND BALTIMORE CITY EACH BEARS TO THE TOTAL OF THE**
 5 **TAX RATES OF THE STATE AND BALTIMORE CITY.**

6 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June
 7 1, 2015, and shall be applicable to all taxable years beginning after June 30, 2015.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.