

Department of Legislative Services  
Maryland General Assembly  
2016 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

House Bill 1445  
Ways and Means

(Calvert County Delegation)

Budget and Taxation

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Calvert County - Property Tax Credit - Commerce Zones

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This bill authorizes Calvert County to grant, by law, a county property tax credit for real property owned by a business entity that obtains new or expanded premises in a commerce zone by purchasing newly constructed premises, constructing new premises, or causing new premises to be constructed.

The bill takes effect June 1, 2016, and applies to taxable years beginning after June 30, 2016.

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Fiscal Summary

**State Effect:** None.

**Local Effect:** Calvert County property tax revenues decrease beginning in FY 2017 to the extent the property tax credit is granted. The amount of the decrease depends on the number of eligible business entities and the property value of specified premises. Calvert County expenditures are not affected.

**Small Business Effect:** Potential meaningful.

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Analysis

**Bill Summary:** The property tax credit granted equals a percentage of the amount of county property tax imposed on the assessment of the new or expanded premises, as follows: (1) 50% for each of the first 5 taxable years; (2) 25% in taxable years 6 and 7; (3) 15% in taxable years 8 through 10; and (4) 0% for each taxable year thereafter.

Calvert County may provide, by law, for (1) the specific eligibility requirements for the tax credit; (2) any additional limitations on eligibility for the credit; and (3) any other provision necessary to implement the credit.

A commerce zone is defined as a priority funding area in Calvert County designated by the county as a commerce zone. A new or expanded premises means commercial or industrial real property, including a building or part of a building that has not been previously occupied, where a business entity locates to conduct business.

**Current Law:** Several counties are authorized to establish property tax credits for new or expanding businesses including Calvert, Charles, Frederick, Garrett, Harford, Howard, Queen Anne's, Talbot, and Washington.

#### *Existing Property Tax Credit in Calvert County*

Chapter 201 of 2006 authorized Calvert County to grant a property tax credit against the county property tax imposed on real property owned by an expanding or new business that meets specified criteria. The credit may be granted to an expanding or new business engaged in the generation of electricity against the county tax imposed on personal property and real property owned by the expanding or new business.

In order to be eligible for the property tax credit, the new or expanding business must (1) employ at least 25 new additional full-time employees, the salaries for which must be greater than the county annual average salary in the economic development target market sector, as determined by the county and (2) acquire at least \$2.5 million in land, improvements to the land, or equipment in the county.

The tax credit must be granted to (1) a business that owns the land and building it occupies within the county or (2) any party responsible for paying the real property tax on all or part of the land or building. The tax credit may not exceed 50% of the amount of property tax due in any taxable year. Calvert County may define, fix, or limit the amount, terms, scope, and duration of any credit provided.

**Background:** The private sector accounts for 80.6% of employment in Maryland with the government sector accounting for 19.4%. The reliance on government employment ranges from 10.2% in Talbot County to 46.7% in Somerset County. In Calvert County, the private sector accounts for 80.9% of employment and the government sector accounts for 19.1%. The State government accounts for 3.9% of total employment in Maryland, while local governments account for 9.8%. In Calvert County, the State government accounts for 1.2% of total employment and local governments account for 17.4%.

Due to the State's proximity to the nation's capital, Maryland has a high concentration of federal employment, which accounts for 5.7% of total employment in the State.

Nearly one-third of federal positions are located in Montgomery County with an additional 18.4% located in Prince George's County. Of the State's jurisdictions, St. Mary's and Harford counties have the highest reliance on federal employment, due to the location of federal military installations. In Calvert County, the federal government accounts for just 0.5% of total employment.

Employment growth is one indicator of an economy's overall health. The total number and the percent change in new jobs created are widely used performance measures. Total employment in Maryland from 2010 to 2015 increased by 5.7%, resulting in a gain of 136,500 jobs. The highest employment growth, on a percentage basis, occurred in Anne Arundel and Howard counties. However, two counties, Allegany and Dorchester, experienced net decreases in employment during this period. Calvert County had the tenth highest growth rate during this period (6.2%), which resulted in a net gain of 1,258 jobs.

**Exhibit 1** shows employment in Maryland counties by sector for the first quarter of 2015. **Exhibit 2** shows employment growth in Maryland counties over a five year period (2010 to 2015). Additional information on the economic performance of Maryland counties can be found beginning on page 21 of the [Overview of Maryland Local Governments](#) report.

**Local Fiscal Effect:** Calvert County property tax revenues decrease beginning in fiscal 2017 to the extent the property tax credit is granted. The amount of the decrease depends on the number of eligible business entities and the property value of specified premises. The Calvert County real property tax rate is \$0.892 per \$100 of assessed value for fiscal 2016.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 8, 2016  
mel/hlb Revised - House Third Reader - March 25, 2016

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**Exhibit 1**  
**Employment in Maryland Counties by Sector**  
**First Quarter 2015**

<b>County</b>	<b>Private Sector</b>	<b>Government Sector</b>	<i>Government Sector</i>		
			<b>Federal</b>	<b>State</b>	<b>Local</b>
Allegany	78.0%	22.0%	1.8%	9.6%	10.6%
Anne Arundel	81.6%	18.4%	5.2%	5.0%	8.2%
Baltimore City	78.6%	21.4%	3.0%	10.7%	7.7%
Baltimore	84.2%	15.8%	4.3%	3.0%	8.4%
Calvert	80.9%	19.1%	0.5%	1.2%	17.4%
Caroline	80.9%	19.1%	0.8%	2.2%	16.1%
Carroll	85.0%	15.0%	0.5%	2.4%	12.1%
Cecil	79.1%	20.9%	5.8%	1.9%	13.2%
Charles	76.9%	23.1%	5.4%	1.4%	16.3%
Dorchester	78.0%	22.0%	1.7%	7.5%	12.9%
Frederick	83.4%	16.6%	3.8%	1.2%	11.5%
Garrett	85.4%	14.6%	0.6%	2.2%	11.8%
Harford	75.7%	24.3%	13.0%	0.6%	10.7%
Howard	89.2%	10.8%	0.4%	1.2%	9.2%
Kent	86.7%	13.3%	0.8%	3.0%	9.6%
Montgomery	79.9%	20.1%	10.4%	0.3%	9.5%
Prince George's	70.4%	29.6%	8.8%	6.7%	14.0%
Queen Anne's	81.4%	18.6%	0.6%	1.6%	16.4%
St. Mary's	67.1%	32.9%	21.5%	2.2%	9.2%
Somerset	53.3%	46.7%	0.7%	31.4%	14.6%
Talbot	89.8%	10.2%	1.2%	1.2%	7.8%
Washington	86.4%	13.6%	0.8%	3.6%	9.1%
Wicomico	81.5%	18.5%	0.6%	6.2%	11.6%
Worcester	82.5%	17.5%	0.9%	0.8%	15.8%
Unallocated	99.3%	0.7%	0.6%	0.0%	0.1%
<b>Maryland</b>	<b>80.6%</b>	<b>19.4%</b>	<b>5.7%</b>	<b>3.9%</b>	<b>9.8%</b>

Source: *Employment and Payroll Annual Report*, Department of Labor, Licensing, and Regulation

**Exhibit 2**  
**Employment Growth in Maryland Counties – Over a Five-year Period**  
**First Quarter 2010 and 2015**

County	<u>Average Employment Within Jurisdiction</u>					<u>Jobs Per 1,000 Residents</u>		
	1st Q 2010	1st Q 2015	Difference	% Difference	Rank	1st Q 2015	Percent of State Average	Rank
Allegany	28,747	28,598	-149	-0.5%	24	392.0	92.7%	10
Anne Arundel	220,228	254,400	34,172	15.5%	1	454.2	107.4%	4
Baltimore City	320,403	327,162	6,759	2.1%	21	525.3	124.2%	1
Baltimore	355,189	362,695	7,506	2.1%	20	438.6	103.7%	7
Calvert	20,420	21,678	1,258	6.2%	10	239.2	56.6%	24
Caroline	8,192	8,879	687	8.4%	6	272.9	64.5%	21
Carroll	52,772	55,506	2,734	5.2%	12	330.7	78.2%	16
Cecil	26,916	29,484	2,568	9.5%	5	288.0	68.1%	19
Charles	38,924	40,762	1,838	4.7%	13	263.4	62.3%	22
Dorchester	10,591	10,542	-49	-0.5%	23	323.6	76.5%	18
Frederick	89,106	96,011	6,905	7.7%	7	394.0	93.2%	9
Garrett	11,069	11,399	330	3.0%	17	384.1	90.8%	12
Harford	78,828	88,102	9,274	11.8%	3	352.3	83.3%	15
Howard	141,169	159,531	18,362	13.0%	2	515.8	122.0%	2
Kent	7,179	7,668	489	6.8%	8	386.9	91.5%	11
Montgomery	433,226	452,359	19,133	4.4%	15	439.0	103.8%	6
Prince George's	292,271	298,817	6,546	2.2%	18	330.4	78.1%	17
Queen Anne's	12,292	13,661	1,369	11.1%	4	279.9	66.2%	20
St. Mary's	39,850	42,357	2,507	6.3%	9	383.7	90.7%	13
Somerset	6,417	6,505	88	1.4%	22	251.6	59.5%	23
Talbot	17,291	18,035	744	4.3%	16	479.1	113.3%	3
Washington	62,279	65,972	3,693	5.9%	11	441.1	104.3%	5
Wicomico	42,924	43,836	912	2.1%	19	431.7	102.1%	8
Worcester	18,216	19,053	837	4.6%	14	368.7	87.2%	14
Unallocated	56,817	64,803	7,986	14.1%				
<b>Maryland</b>	<b>2,391,316</b>	<b>2,527,815</b>	<b>136,499</b>	<b>5.7%</b>		<b>423.0</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