

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 998

(Senator Waugh)

Budget and Taxation

Ways and Means

St. Mary's County - Property Tax Credit - New or Expanding Businesses

This bill authorizes St. Mary's County or a municipality in St. Mary's County to grant, by law, a property tax credit for any property owned or leased by a new or expanding business that creates 10 or more full-time jobs in an industry targeted for expansion by the St. Mary's County Economic Development Commission. A tax credit may not be granted for more than 10 years.

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

Fiscal Summary

State Effect: None.

Local Effect: St. Mary's 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 businesses receiving the property tax credit and the value of the property owned by these businesses.

Small Business Effect: Potential meaningful. Small businesses that qualify for the property tax credit will pay less in property taxes.

Analysis

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.

Background: The private sector accounts for 80% of employment in Maryland with the government sector accounting for 20%. The reliance on government employment ranges from 10.2% in Talbot County to 46.7% in Somerset County. In St. Mary's County, the private sector accounts for 67.1% of employment and the government sector accounts for 32.9%, the second highest percentage in the State. The State government accounts for 3.9% of total employment in Maryland, while local governments account for 9.8%. In St. Mary's County, the State government accounts for 2.2% of total employment and local governments account for 9.2%.

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 St. Mary's County, the federal government accounts for 21.5% of total employment, the highest percentage in the State.

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. St. Mary's County had the ninth highest growth rate during this period (6.3%), which resulted in a net gain of 2,507 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: St. Mary's 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 businesses receiving the property tax credit and the value of the property owned by these businesses.

The St. Mary's County real property tax rate is \$0.8523 per \$100 of assessed value for fiscal 2016. The county's personal property tax rate is \$2.1308 per \$100 of assessed value. In the Town of Leonardtown, the municipal real property tax rate is \$0.1266 and the personal property tax rate for utility property is \$0.3165.

Additional Information

Prior Introductions: None.

Cross File: HB 917 (St. Mary's County Delegation) - Ways and Means.

Information Source(s): St. Mary's County, State Department of Assessments and Taxation, Department of Legislative Services

Fiscal Note History: First Reader - March 1, 2016
min/hlb

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Exhibit 1
Employment in Maryland Counties by Sector
First Quarter 2015

County	Private Sector	Government Sector	<i>Government Sector</i>		
			Federal	State	Local
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%
Maryland	80.6%	19.4%	5.7%	3.9%	9.8%

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%				
Maryland	2,391,316	2,527,815	136,499	5.7%		423.0	100.0%	

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