

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 572

(Howard County Delegation)

Ways and Means

Budget and Taxation

**Howard County - Property Tax Credit for Commercial Real Property - Flood
Damage
Ho. Co. 9-17**

This emergency bill authorizes Howard County to grant a property tax credit for commercial real property that has been determined to have suffered flood damage or sewer damage caused by flood conditions.

The bill applies to taxable years beginning after June 30, 2017.

Fiscal Summary

State Effect: None.

Local Effect: Howard County property tax revenues decrease beginning in FY 2018 to the extent the property tax credit is authorized. The amount of the revenue decrease depends on the number of affected commercial properties, property values, and the amount of the tax credit. County expenditures are not affected.

Small Business Effect: Potential meaningful. Eligible businesses will realize reduced property tax payments.

Analysis

Current Law: Howard County is authorized by law to grant a property tax credit for (1) property that is owned by any community association that is used for community, civic, educational, library, or park purposes, not including a swimming pool, tennis court, or similar recreational facility; (2) real property that is subject to the county's agricultural land

preservation program; (3) real property owned or occupied by a commercial or industrial business meeting certain requirements; (4) real property used as a therapeutic riding facility by a nonprofit organization that is exempt from taxation under § 501(c)(3) of the Internal Revenue Code, provides services to disabled individuals, and has at least 85% of its clients who are disabled individuals; and (5) owner-occupied residential real property that is jointly owned by an individual and the Howard County Housing Commission.

Property Tax Incentive Programs in Historic Districts

Howard County advises that the county currently has two different local property tax incentives for work that restores or preserves an eligible historic property. The first is the Historic Tax Credit for Qualified Expenses which provides a tax credit equal to 25% of the cost of eligible work. The tax credit may be applied to projects costing \$500 or more. The second is the Historic Tax Credit for Increase in Assessed Value which abates the increase in property tax that results from increased assessed value due to the restoration work done, as determined by the State Department of Assessments and Taxation. The tax credit may be applied to projects costing \$5,000 or more and will be granted annually for 10 years after the work is completed.

Background: Local governments are authorized to grant, by law, a property tax credit for residential real property that has been determined to have suffered flood damage or sewage damage caused by flood conditions. Data collected by the Department of Legislative Services during 2016 indicates that no counties have authorized the current property tax credit for flood or sewage damage.

On July 30, 2016, heavy rains caused massive flooding in Ellicott City, in which two people died. Initial reports indicated that up to five buildings in downtown Ellicott City were completely destroyed and many others severely damaged. A state of emergency was declared.

Local Fiscal Effect: Howard County property tax revenues decrease beginning in fiscal 2018 to the extent the property tax credit is authorized. The amount of the revenue decrease depends on the number of affected commercial properties, property values, and the amount of the tax credit.

Howard County reports that 87 buildings that were damaged during the July 2016 flood had their property tax assessments reduced to \$1,000, which results in a county property tax of \$10. Of these buildings, 84 are commercial buildings and 3 are not historic buildings. However, the county advises that there may be other buildings that were damaged in the flood that did not have their assessment reduced to \$1,000.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Howard County; State Department of Assessments and Taxation; Maryland Insurance Administration; Department of Legislative Services

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