

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 928

(Senator Benson, *et al.*)

Budget and Taxation

Ways and Means

Prince George's County – Property Tax Credit – Grocery Stores

This bill authorizes Prince George's County to grant a property tax credit for personal property owned by a grocery store that completes eligible construction and is located in a healthy food priority area. Prince George's County must designate what constitutes a healthy food priority area for purposes of the tax credit. The property tax credit for a taxable year may not exceed the amount of property tax imposed on the personal property of a grocery store in that year. **The bill takes effect June 1, 2018, and applies to taxable years beginning after June 30, 2018.**

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County personal property tax revenues decrease beginning in FY 2019 to the extent the property tax credit is granted. The amount of the decrease depends on the number of grocery stores that meet the qualifications established by the county, the value of personal property owned by these grocery stores, and the amount of the property tax credit provided. Prince George's County expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Bill Summary: Prince George's County may establish limits on the cumulative amount of property tax credits granted, additional limitations on the amount of the credit, additional eligibility requirements for grocery stores to qualify for the tax credit, additional criteria

for what constitutes eligible construction that may qualify a grocery store for the tax credit, and any other provisions necessary.

The bill defines eligible construction as construction of a new grocery store or any substantial renovation of an existing grocery store. A grocery store is a store that has (1) all major food departments, including produce, meat, seafood, dairy, and canned and packaged goods; (2) more than 50% of total sales derived from food sales; and (3) more than 50% of total floor space dedicated to food sales.

Current Law: Chapter 38 of 2015 authorized Baltimore City to grant a property tax credit for personal property owned by a supermarket that completes eligible construction and is located in a food desert retail incentive area. Baltimore City must designate what constitutes a food desert retail incentive area for purposes of the tax credit. The property tax credit for a taxable year may not exceed the amount of property tax imposed on the personal property of a supermarket in that year. Baltimore City enacted the tax credit in January 2016.

Beginning in January 2018, Baltimore City began using the term healthy food priority area in place of food desert retail incentive area. Baltimore City defines a healthy food priority area as an area where the average healthy food availability index score for all food stores is between 0 and 9.5; the median household income is at or below 185% of the federal poverty level; over 30% of households do not have a vehicle; and the distance to a supermarket is more than one quarter of a mile.

Chapter 724 of 2010 authorized local governments to grant a property tax credit for real property that is used for a grocery store located in a low-income area. Local governments may provide for the amount and duration of the property tax credit, additional eligibility criteria, regulations and procedures for the application and uniform processing of requests for the tax credit, and any other provision necessary. A grocery store is defined as an establishment whose primary business is selling food at retail to the general public for off-premises consumption and at least 20% of the gross receipts of which are derived from the retail sale of fresh produce, meats, and dairy products. A low-income area must be designated by each local government for the purposes of the property tax credit.

Property tax credit data collected by the Department of Legislative Services in 2016 indicated that no counties had authorized the property tax credit for grocery stores located in low-income areas.

Background: The Johns Hopkins Center for a Livable Future reported, in 2016, that there were 101 supermarkets in Prince George's County, which represented 14.5% of all supermarkets in Maryland. In addition, there were 83 small grocery stores (7.4% of the State total) and 8 other food stores, which includes conventional clubs, military

commissaries, and mixed markets (12.7% of the State total). The county ranked third in the number of supermarkets by county. In addition, there were 0.11 supermarkets per 1,000 residents in Prince George's County compared to 0.12 per 1,000 residents statewide. The county ranked seventeenth on this measure statewide.

The report also indicated that 43.6% of Prince George's County residents live in a food desert (as defined by the U.S. Department of Agriculture) compared to 27.3% of residents statewide. As a percent of population living in a food desert area, Prince George's County ranked fourth among Maryland counties. The U.S. Department of Agriculture defines a food desert as low-income census tracts where residents are more than 0.5 miles, in an urban area, or more than 10 miles, for a rural area, from the nearest supermarket.

Local Fiscal Effect: Prince George's County personal property tax revenues decrease beginning in fiscal 2019 to the extent the property tax credit is granted. The amount of the decrease depends on the number of grocery stores that meet the qualifications established by the county, the value of personal property owned by these grocery stores, and the amount of the property tax credit provided. As a point of reference, Prince George's County collects \$34,350 in personal property taxes for every \$1 million of assessment. In fiscal 2018, the personal property tax rate in Prince George's County totaled \$3.435 per \$100 of assessment. Based on the county's fiscal 2018 budget, Prince George's County collected \$76.5 million in personal property taxes in fiscal 2016 and is expected to collect \$68.9 million in fiscal 2017 and \$76.2 million in fiscal 2018.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Prince George's County; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - March 9, 2018
md/hlb Third Reader - March 28, 2018
Revised - Amendment(s) - March 28, 2018

Analysis by: Michael Sanelli

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