

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 800

(Delegate Glenn)(By Request - Baltimore City
Administration)

Ways and Means

Property Tax - Exemption for Crane Located on State Property - Repeal

This bill repeals a personal property tax exemption for a crane located on State property if the crane is used for cargo handling purposes. **The bill takes effect June 1, 2019, and applies to taxable years beginning after June 30, 2019.**

Fiscal Summary

State Effect: None. The State does not impose a personal property tax.

Local Effect: Baltimore City property tax revenues increase by approximately \$1.5 million in FY 2020 and by \$1.2 million in FY 2024. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: Chapter 508 of 2016 provided a property tax exemption for a person's interest in personal property located on property owned by the State if the personal property is a crane used for cargo handling purposes.

Background: In January 2010, the Maryland Port Administration executed a 50-year lease agreement with Ports America Chesapeake for the 200-acre Seagirt Marine Terminal. In return, Ports America Chesapeake agreed to construct a 50-foot berth for the Port of Baltimore that will accommodate larger vessels and create new business opportunities. When originated, this public-private partnership was expected to produce 5,700 new jobs

and generate \$15.7 million per year in new tax revenue. It is currently estimated that the economic activity at the port will have a value of \$2.0 billion by 2030 and will generate \$190 million in State and local taxes by 2030.

The *Joint Chairman's Report* from the fiscal 2016 budget indicated that the budget committees were concerned that the continued assessment of the personal property tax on privately owned cranes at the Port of Baltimore may put Maryland at a competitive disadvantage with other ports. The budget committees strongly urged the Maryland Port Administration to convene meetings as soon as possible with Baltimore City and the State's public-private partnership to develop a mutually agreeable fiscal policy that advances the economic growth and development of the port.

Legislation was enacted in 2016 (Chapter 508) which provided a property tax exemption for a person's interest in personal property located on property owned by the State if the personal property is a crane used for cargo handling purposes.

Local Fiscal Effect: Ports America Chesapeake operates the Seagirt Marine Terminal for the State at the Port of Baltimore under a private-public partnership. There are two types of cranes located at the Seagirt Marine Terminal. One type is a ship to shore (STS) crane used to load and unload containers from ships. The other type of crane is a mobile, rubber tired gantry (RTG) crane which is used to stack containers and move containers on and off of trucks. In 2010 there were 11 STS cranes and 12 RTG cranes at the Seagirt Marine Terminal. Since then Ports America Chesapeake has invested in an additional 10 RTG cranes. There are plans to invest in an additional 4 STS cranes and 2 RTG cranes in 2019.

Based on the original purchase price of the cranes at the Seagirt Marine Terminal and accounting for a depreciation factor, it is estimated that the value of the cranes currently in operation is \$27.6 million. The Baltimore City personal property tax rate is \$5.62 per \$100 of assessment. As a result of repealing the exemption for this personal property, Baltimore City property tax revenues will increase by approximately \$1.5 million in fiscal 2020 and by \$1.2 million in fiscal 2024. To the extent additional cranes are purchased by Ports America Chesapeake, Baltimore City revenues will increase accordingly.

Additional Information

Prior Introductions: None.

Cross File: SB 797 (Senator Hayes)(By Request - Baltimore City Administration) - Budget and Taxation.

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

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