

Department of Legislative Services  
Maryland General Assembly  
2020 Session

FISCAL AND POLICY NOTE  
Third Reader

House Bill 1500  
Ways and Means

(Delegate Arentz, *et al.*)

Budget and Taxation

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Special Taxing Districts - Eastern Shore Code Counties - Authorization

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This bill authorizes code counties in the Eastern Shore Class to establish special taxing districts, impose *ad valorem* or special taxes, and issue bonds for the purpose of financing the cost of certain infrastructure improvements. The bill applies to Caroline, Kent, Queen Anne's, and Worcester counties. **The bill takes effect June 1, 2020.**

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Fiscal Summary

**State Effect:** None.

**Local Effect:** Local revenues and expenditures increase in Caroline, Kent, Queen Anne's, and Worcester counties for infrastructure improvements to the extent that special taxing districts are established.

**Small Business Effect:** None.

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Analysis

**Current Law/Background:** The General Assembly has authorized counties and municipalities to create special taxing districts for many different purposes. These purposes include infrastructure improvements, commercial district management, road construction, water and sewer systems, drainage, erosion prevention and control, waterway improvement, street lighting, stormwater management, and more. The authority to create special taxing districts varies considerably among counties because some enabling statutes apply only to certain counties and not others.

A frequently used statute, codified in Title 21, Subtitle 5 of the Local Government Article, authorizes 12 specified counties to create special taxing districts for infrastructure improvements. Ten counties have created special taxing districts under this statute for a variety of projects: Anne Arundel, Baltimore, Calvert, Charles, Garrett, Harford, Howard, Prince George's, St. Mary's, and Talbot. This statute allows a special taxing district to be created only if two-thirds of the owners of real property parcels and two-thirds of the assessed valuation of real property in the proposed district make a request to the county. The statute authorizes the county to issue bonds to finance the infrastructure improvements. Revenue from taxes imposed within the district is deposited in a special fund that is used to pay the bonds. The statute requires that the special taxing district terminates when bonds are no longer outstanding with respect to the special taxing district and the county determines not to use the money in the special fund for other specified purposes.

A comprehensive overview on special taxing districts in the State can be found in Chapter 6 of the [\*Guide to the Property Tax Structure in Maryland\*](#).

**Local Fiscal Effect:** Local revenues and expenditures increase in Caroline, Kent, Queen Anne's, and Worcester counties for infrastructure improvements to the extent that special taxing districts are established. Caroline and Worcester counties report that there are currently no plans to create special taxing districts.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Caroline, Queen Anne's, and Worcester counties; Department of Legislative Services

**Fiscal Note History:** First Reader - March 2, 2020  
mr/hlb Third Reader - March 13, 2020

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