

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 414
Ways and Means

(St. Mary's County Delegation)

Budget and Taxation

St. Mary's County – Property Tax Credit for Improvements to Commercial Real
Property and Transfer Tax Sunset Extension

This bill authorizes St. Mary's County to grant up to a 25% property tax credit for commercial real property that is located in an eligible area of the county and has had improvements made on the property on or after July 1, 2020. The duration of the property tax credit may not exceed 10 years. St. Mary's County must define any areas of the county and improvements to the property that are eligible for the property tax credit. The county may provide for the amount and duration of the property tax credit and other provisions necessary to administer the property tax credit. The bill also extends the termination date for St. Mary's County authority to impose a transfer tax from July 1, 2020, to October 1, 2024. **The bill takes effect June 1, 2020.**

Fiscal Summary

State Effect: None.

Local Effect: Potential decrease in St. Mary's County property tax revenues beginning in FY 2021. Any potential revenue decrease may be mitigated to the extent that the property tax credit encourages commercial development that would not have occurred otherwise. St. Mary's County transfer tax revenues of \$6.2 million are maintained through FY 2024, with \$1.6 million being collected in FY 2025 to reflect three months of collections in that fiscal year. County expenditures are not directly affected.

Small Business Effect: Potential meaningful. Small businesses that are eligible for the property tax credit will realize a reduced property tax liability beginning in FY 2021.

Analysis

Current Law: Chapter 598 and 599 of 2016 authorize St. Mary's County and the Town of Leonardtown to grant 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.

St. Mary's County is authorized to impose a transfer tax until July 1, 2020. Chapter 71 of 2008 extended the termination date of the St. Mary's County transfer tax from July 1, 2010, to July 1, 2020. Chapter 411 of 2004 extended the termination date from July 1, 2005, to July 1, 2010. Chapter 195 of 2000 extended the termination date from July 1, 2000, to July 1, 2005.

Background: In St. Mary's County, there are 1,107 improved commercial properties with a total assessed value of \$1.1 billion and 427 vacant commercial properties with a total assessed value of \$57.1 million. In addition, there are 54 improved industrial properties and 28 vacant industrial properties with total assessed values of \$94.5 million and \$7.2 million, respectively. The St. Mary's County real property tax rate is \$0.8478 per \$100 of assessed value for fiscal 2020.

A comprehensive overview of property taxation in Maryland can be found in the [Guide to the Property Tax Structure in Maryland](#). Additional information on local property tax rates and revenue can be found in the [County Revenue Outlook](#) report. A copy of both reports is available on the Department of Legislative Services website.

The St. Mary's County transfer tax rate is 1%. The county will collect approximately \$6.3 million in local transfer tax revenues in fiscal 2020. Transfer tax revenues are allocated to the county capital improvement fund, which provides funding for various capital improvement projects. The St. Mary's County capital budget for fiscal 2020 includes \$81.7 million in total funding, of which 7.7% comes from the local transfer tax.

Local Fiscal Effect: St. Mary's County property tax revenues may decrease beginning in fiscal 2021 to the extent the property tax credit is granted. The amount of the property tax revenue decrease depends on the number of commercial properties that receive the property tax credit, the assessed value of the commercial property, and the county property tax rate. Any potential revenue decrease may be mitigated to the extent that the property tax credit encourages commercial development that would not have occurred otherwise.

Pursuant to the bill, St. Mary's County transfer tax revenues will continue to be collected through September 2024. The county capital budget for fiscal 2020 assumes approximately \$6.2 million in transfer tax revenues through fiscal 2025. Due to the bill's October 1, 2024

termination date, it is estimated that transfer tax revenues will total approximately \$1.6 million in fiscal 2025 reflecting three months of collections.

Additional information on local transfer tax rates and revenues can be found in the [County Revenue Outlook report](#). A copy of the report is available on the Department of Legislative Services website.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): St. Mary's County; Department of Legislative Services

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