

Department of Legislative Services  
Maryland General Assembly  
2022 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

Senate Bill 760

(Senator Hayes)

Budget and Taxation

Rules and Executive Nominations

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**Property Tax Exemption - Religious Group or Organization - Third-Party  
Leases**

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This bill specifies that real property owned by a religious group or organization that is leased to a third party does not qualify for a specified property tax exemption. If only part of the real property is leased to a third party, only the leased part of the real property does not qualify for the exemption. **The bill takes effect June 1, 2022, and applies to taxable years beginning after June 30, 2022.**

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**Fiscal Summary**

**State Effect:** Annuity Bond Fund (ABF) revenues may increase beginning in FY 2023. General fund expenditures increase by \$4,500 in FY 2023 through 2025 for notification costs. Special fund revenues and expenditures increase by a commensurate amount.

**Local Effect:** Local property tax revenues may increase beginning in FY 2023. County expenditures increase by \$4,500 in FY 2023 through 2025 to reimburse the State Department of Assessments and Taxation (SDAT) for the printing and mailing costs needed for the assessment change.

**Small Business Effect:** Minimal.

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**Analysis**

**Current Law:** Property that is owned by a religious group or organization is not subject to property tax if the property is actually used exclusively for (1) public religious worship; (2) a parsonage or convent; or (3) educational purposes.

In Baltimore City, tax exempt organizations must submit an application to SDAT every three years in accordance with the department's three-year assessment cycle. The application must certify that the property is being used for its tax-exempt purpose.

### *Major Property Tax Exemptions*

The major exemptions from the local property tax are local, State, and federal government property; property of religious organizations; cemeteries and mausoleums; nonprofit hospitals; portions of continuing care facilities for the elderly; property of charitable, fraternal, and educational institutions; property used for national defense or military housing; property of national veterans' organizations; homes of disabled veterans and the blind (partial exemption), or a surviving spouse of either; property of historical societies and museums; property owned by certain taxpayers engaged in building, operating, and managing nonprofit multifamily units, subject to local government approval; and property owned by fire companies, rescue squads, community water corporations, and housing authorities.

A comprehensive overview on exempt property in Maryland can be found in Chapter 3 of the [\*Guide to the Property Tax Structure in Maryland\*](#).

**State Fiscal Effect:** ABF revenues may increase beginning in fiscal 2023 to the extent additional properties are subject to real property taxes. The amount of the revenue increase depends on the number of parcels that are leased by religious organizations that become subject to real property taxes.

SDAT reports that in order to determine whether there are parcels of property that are leased to a third party, the department will have to review each of the approximately 27,000 properties in the State with an exemption for being a religious group or organization. The department advises that the only way this can be done is by requiring each exempt property to reapply for their exemption or certify there are no leases in place during each reassessment cycle. SDAT indicates that this review will require about 1,500 hours per year at 10 minutes per property to conduct. This additional procedure will be absorbed by existing staff.

The department will incur approximately \$9,000 in printing and mailing costs in fiscal 2023 through 2025 to notify the exempt properties of the new requirement. However, the counties and Baltimore City are required to reimburse SDAT for 50% of the costs of real property and business personal property valuation as well as 50% of the costs incurred by the department with regard to information technology. As a result, total general fund expenditures will increase by \$4,500 in fiscal 2023 through 2025, while special fund revenues and expenditures increase by a commensurate amount from reimbursements from

county governments to cover printing and mailing costs resulting from the assessment procedure change.

**Local Fiscal Effect:** Local property tax revenues may increase to the extent additional properties are subject to real property taxes. The amount of the revenue increase depends on the number of parcels that are leased by religious organizations that become subject to real property taxes.

County expenditures increase by \$4,500 in fiscal 2023 through 2025 to reimburse SDAT for the printing and mailing costs needed for the assessment procedure change.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** State Department of Assessments and Taxation; Department of Legislative Services

**Fiscal Note History:** First Reader - March 7, 2022  
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