

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 1343

(Delegate D. Jones, *et al.*)

Ways and Means

Budget and Taxation

Anne Arundel County - Property Tax - Day Care Centers and Child Care Centers

This bill expands eligibility for a specified personal property tax exemption in Anne Arundel County to include specified large child care homes in the county. The bill also alters certain criteria for local property tax credits in the county for specified day care providers and family child care homes. **The bill takes effect June 1, 2025, and applies to taxable years beginning after June 30, 2025.**

Fiscal Summary

State Effect: None.

Local Effect: County and municipal property tax revenues in Anne Arundel County decrease beginning in FY 2026 due to the personal property tax exemption and to the extent that local governments grant additional property tax credits under the bill. Local government expenditures are not materially affected.

Small Business Effect: Potential meaningful. Operators of large child care homes, child care centers, and day care centers in Anne Arundel County may benefit from reduced real property taxes to the extent they are eligible.

Analysis

Bill Summary/Current Law: The bill authorizes county and municipal governments in Anne Arundel County to grant two county specific property tax credits.

Property Tax Credit for Family Child Care Homes

Under current law, Baltimore City, counties, and municipalities are authorized to grant a property tax credit against the county or municipal property tax imposed on that portion of the real property on which an improvement is substantially completed *after July 1, 1988*, if the property is owned by a business having at least 25 employees and the improvement contains an area set aside and dedicated exclusively for a child care center that is (1) registered as a specified family child care home or (2) licensed as a specified child care center.

Under the bill, Anne Arundel County or a municipality in the county are authorized to grant a property tax credit against the county or municipal property tax imposed on that portion of the real property on which an improvement is substantially completed, regardless of when the improvement is made, if the property is owned by a business having at least 25 employees and the improvement contains an area set aside and dedicated exclusively for a child care center that is (1) registered as a specified family child care home or *large family child care home* or (2) licensed as a specified child care center. The bill limits the amount of the annual property tax credit to the lesser of \$10,000 or the amount of property tax attributable to the improvement.

Property Tax Credit for Day Care Providers

Under current law, Baltimore City, counties, and municipalities may grant a property tax credit against the county or municipal property tax imposed on that portion of real property, including any improvement, *that is substantially completed after July 1, 1987*, if that portion of the improved property contains an area set aside and dedicated exclusively for a day care center that is (1) registered as a specified family child care home; (2) licensed as a specified child care center; (3) licensed as a specified day care center for the elderly; or (4) licensed as a specified day care center for adults. The amount of the property tax credit may *not exceed \$3,000* or the amount of county or municipal tax attributable to the improvement, whichever is less.

Under the bill, Anne Arundel County or a municipality in the county may grant a property tax credit against the county or municipal property tax imposed on that portion of real property, including any improvement, regardless of when the improvement is made, that contains an area set aside and dedicated exclusively for a day care center that is (1) registered as a specified family child care home or *large family child care home*; (2) licensed as a specified child care center; (3) licensed as a specified day care center for the elderly; or (4) licensed as a specified day care center for adults. The bill increases the amount of the annual property tax credit to the lesser of \$10,000 or the amount of property tax attributable to the improvement.

Personal Property Tax Exemption

In Maryland, there is a tax on business-owned personal property that is imposed and collected by local governments. Personal property generally includes business property including furniture, fixtures, office and industrial equipment, machinery, tools, supplies, inventory, and any other property not classified as real property. To provide for uniform assessments, the State Department of Assessments and Taxation is responsible for assessing all personal property. Each county or municipal government is responsible for issuing the tax bills and collecting the tax. The tax year begins on July 1 and ends on June 30. The personal property tax has been a local tax exclusively since 1984 when the State tax rate on personal property was set at zero.

Except for personal property used in connection with a business, personal property owned by an individual is not subject to valuation or taxation. Personal property used in connection with a business is also exempt if it is owned by an individual and is located at the individual's residence and either (1) is used in connection with a licensed family day care home or (2) had a total original cost (excluding vehicles) of less than \$10,000. If all of a person's personal property statewide had a total original cost of less than \$20,000, the personal property is exempt from personal property valuation and taxation.

Local Fiscal Effect: County and municipal property tax revenues in Anne Arundel County may decrease beginning in fiscal 2026 due to the expansion of the personal property tax exemption and to the extent that the county or municipalities in the county grant property tax credits under the bill.

As a point of reference, the Maryland State Department of Education reports that as of January 2025, there is 1 licensed large family child care home in Anne Arundel County. In addition, there are 217 licensed child care centers and 310 registered family child care facilities located in the county.

Personal Property Tax Exemption

Expanding the personal property tax exemption to large family child care homes will reduce county and municipal revenues in Anne Arundel County beginning in fiscal 2026. However, since there is only one such facility in the county, the potential decrease in local revenues is assumed to be minimal.

Property Tax Credits for Day Care Centers and Family Child Care Homes

Anne Arundel County and municipal revenues in the county decrease beginning in fiscal 2026 to the extent additional property tax credits are granted under the bill. The amount of the revenue decrease depends on the amount of credits granted.

As a point of reference, four counties have authorized real property tax credits for day care centers – Frederick, Harford, Howard, and Montgomery. In fiscal 2024, Montgomery County provided five property tax credits totaling \$11,122. The other counties that have authorized the property tax credit did not provide any tax credits in fiscal 2024.

Howard County is the only jurisdiction to authorize the property tax credit for family child care homes. In fiscal 2024, Howard County provided one entity a property tax credit of \$3,000.

Additional information on local property tax credits and exemptions is provided in the [Guide to Local Government Taxing Authority](#). Information on local property tax rates and revenues can be found in the [County Revenue Outlook Report](#). A copy of both reports is available on the Department of Legislative Services [website](#).

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Anne Arundel County; City of Annapolis; Maryland Municipal League; Maryland State Department of Education; State Department of Assessments and Taxation; Department of Legislative Services

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Analysis by: Michael Sanelli

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