

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 296

Ways and Means

(Delegate Charkoudian)

Budget and Taxation

Personal Property Tax - Exemptions for Low Assessments - Alteration

This bill repeals prohibitions on the State Department of Assessments and Taxation (SDAT) from collecting personal property information or requiring a person or individual to submit a personal property tax return if the person or individual is exempt from personal property valuation and taxation due to the fact that the person or individual has personal property valued at less than \$20,000. **The bill takes effect June 1, 2025, and applies to taxable years beginning after June 30, 2025.**

Fiscal Summary

State Effect: None. SDAT can handle the bill's requirements with existing budgeted resources.

Local Effect: Potential minimal increase in local personal property tax revenues to the extent that more businesses are required to pay personal property taxes due to the enhanced tax compliance capabilities at SDAT provided under the bill.

Small Business Effect: Minimal.

Analysis

Current Law:

Personal Property Taxation

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, SDAT 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.

Personal Property Assessment Process

At the beginning of each calendar year, SDAT notifies business entities on record that a personal property tax return must be filed by April 15. This tax return must include personal property located in Maryland as of January 1, the date of finality. The date of finality is the date used to determine ownership, location, value, and liability for tax purposes. The assessment is calculated using the cost less depreciation method. Once the assessment is completed, it is certified to the county or municipality in Maryland. SDAT shares the certifications for the current assessment year by July 1, when the jurisdictions can start billing. If a business entity wants to appeal the assessment, they have 45 days from the date of notice to appeal. All tax returns are currently filed electronically. An annual report fee is required to be paid to SDAT with the personal property tax return. The annual report fee is for the privilege of maintaining the legal entity's existence in the State.

Exemptions to Filing Personal Property Tax Return

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. Personal property owned by an individual and is used in connection with a business, occupation, or profession that is located at the individual's principal residence and the sum total of the personal property, excluding specified vehicles, had a total original cost of less than \$20,000 is exempt from personal property valuation and taxation.

SDAT is prohibited from collecting personal property information or requiring the person or individual to submit a personal property tax return if the person or individual has personal property valued at less than \$20,000.

State Fiscal Effect: The bill provides SDAT the means to verify eligibility for a personal property tax exemption and to verify accuracy for audit purposes. Absent this authority, as under current law, the department is unable to confirm whether or not business entities are entitled to the exemption because personal property assessment values can change from year to year.

Local Fiscal Effect: To the extent that the bill results in more business entities being subject to personal property taxes, local government revenues may increase by a minimal amount.

Additional Information

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

Designated Cross File: None.

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

Fiscal Note History: First Reader - February 2, 2025
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