

Department of Legislative Services  
Maryland General Assembly  
2025 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

Senate Bill 596

(Washington County Senators)

Budget and Taxation

Ways and Means

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Washington County - Property Tax - Multi-Use Facilities and Economic  
Development Projects

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This bill alters an existing local property tax credit in Washington County for real property owned or leased by a new or expanding business that creates new jobs. The bill also exempts, from State and local property taxes, property that is owned by the Hagerstown Multi-Use Sports and Events Facility that is used primarily for public social, recreational, and entertainment purposes. **The bill takes effect June 1, 2025, and applies to taxable years beginning after June 30, 2025.**

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**Fiscal Summary**

**State Effect:** Annuity Bond Fund (ABF) revenues decrease by \$40,100 annually beginning in FY 2026. State expenditures are not affected.

**Local Effect:** Washington County property tax revenues increase by \$710,000 annually beginning in FY 2026 as a result of changes to the property tax credit program. In addition, Washington County property tax revenues decrease by \$287,800 annually and Hagerstown property tax revenues decrease by \$359,200 annually beginning in FY 2026. County expenditures are not affected. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** Minimal.

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**Analysis**

**Bill Summary/Current Law:** Washington County is authorized to grant a property tax credit against the county property tax imposed on real property owned or leased by a new

or expanding business that creates new jobs, provided specified conditions are met. The bill alters the definition of new or expanded premises to include renovated premises.

Under current law, an existing business in the county must (1) obtain at least an additional 1,500 square feet of new or expanded premises by purchasing newly constructed premises, constructing new premises, causing new premises to be constructed, or leasing previously unoccupied premises and (2) employ at *least one* individual in a new permanent full-time position during a 12-month period, during which period the business entity also must obtain and occupy the new or expanded premises. The bill expands eligibility for the property tax credit to include renovating existing premises and requires the employment of *at least five* individuals in new permanent full-time positions during a 12-month period.

Under current law, a new business locating in the county must (1) obtain at least 2,500 square feet of new or expanded premises by purchasing newly constructed premises, constructing new premises, causing new premises to be constructed, or leasing previously unoccupied premises and (2) employ at least 5 individuals in new permanent full-time positions during a 24-month period, during which period the business entity also must obtain and occupy the new or expanded premises. The bill requires the employment of at least 25 individuals in new permanent full-time positions during a 24-month period.

The bill requires a new business entity locating in the county or an existing business entity in the county to invest at least \$20.0 million in capital improvements (increased from \$10.0 million under current law) in the county by purchasing newly constructed premises, constructing new premises, causing new premises to be constructed, renovating existing premises, or leasing previously unoccupied premises. As a result of these capital improvements, the business entity must create 200 new permanent full-time positions (up from 100 under current law).

Under current law, the property tax credit for an existing business is equal to the following percentages of the property tax assessment: 52% in the first and second taxable years; 39% in the third and fourth taxable years; and 26% in the fifth and sixth taxable years. The bill adjusts these percentages to the following: 55% in the first taxable year; 40% in the second taxable year; and 25% in the third taxable year.

Under current law, the property tax credit for a new business is equal to the following percentages of the property tax assessment: 30% in the first and second taxable years; 20% in the third and fourth taxable years; and 10% in the fifth and sixth taxable years. The bill adjusts these percentages to the following: 55% in the first and second taxable years; 40% in the third and fourth taxable years; and 25% in the fifth and sixth taxable years.

Under current law, if a new or existing business entity invests at least \$10.0 million in capital improvements in the county and creates 100 new permanent full-time positions, the

amount of the property tax credit is increased to the following percentages: 100% for the first 5 years; 75% in years 6 through 10; 50% in years 11 through 15; and 0% after 15 years. The bill alters the percentages to the following: 75% for the first 5 years; 70% in year 6; 65% in year 7; 60% in year 8; 55% in year 9; 50% in year 10; 45% in year 11; 40% in year 12; 35% in year 13; 30% in year 14; 25% in year 15; and 0% after 15 years.

The lessor of real property granted a property tax credit must reduce the amount of taxes for which a business is contractually liable under the lease agreement by the amount of any credit granted for improvements made by the business.

**State Fiscal Effect:** The State Department of Assessments and Taxation advises that there are five real property accounts belonging to the Hagerstown Multi-Use Sports and Events Facility, all of which are located in the City of Hagerstown (Washington County). These accounts have a fiscal 2025 taxable assessment of \$35.8 million. As a result of the property tax exemption under the bill, ABF revenues will decrease by \$40,100 annually beginning in fiscal 2026.

#### *Impact on Debt Service Payments*

Debt service payments on the State's general obligation (GO) bonds are paid from the ABF. Revenue sources for the fund include State property taxes, premium from bond sales, and repayments from certain State agencies, subdivisions, and private organizations. General funds may be appropriated directly to the ABF to make up any differences between the debt service payments and funds available from property taxes and other sources. The fiscal 2026 State budget includes \$1.4 billion for GO debt service costs, including \$181.7 million in general funds, \$1.2 billion in special funds from the ABF, \$1.7 million in transfer tax revenues, and \$2.6 million in federal funds.

#### **Local Fiscal Effect:**

##### *Job Creation and Real Property Tax Credit Program*

Two business entities in Washington County currently receive property tax credits under the Job Creation and Real Property Tax Credit Program. Under current law, it is estimated that the tax credits will reduce county revenues by approximately \$2.7 million in fiscal 2025. Washington County estimates that the changes to the tax credit program proposed by the bill will result in a \$710,000 annual reduction in the amount of tax credits provided to businesses beginning in fiscal 2026.

*Exemption for Hagerstown Multi-Use Sports and Events Facility*

Based on the data used for the State revenue estimate, Washington County property tax revenues will decrease by \$287,800 annually beginning in fiscal 2026 and Hagerstown property tax revenues will decrease by \$359,200 annually beginning in fiscal 2026. This estimate is based on a Washington County property tax rate of \$0.8030 per \$100 of assessment and a Hagerstown property tax rate of \$1.002 per \$100 of assessment.

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**Additional Information**

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

**Designated Cross File:** HB 750 (Washington County Delegation) - Ways and Means.

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

**Fiscal Note History:** First Reader - February 9, 2025  
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