

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 596 (Washington County Senators)
Budget and Taxation

Washington County - Property Tax Credit - Economic Development Projects

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 takes effect June 1, 2025, and applies to taxable years beginning after June 30, 2025.**

Fiscal Summary

State Effect: None.

Local Effect: Washington County property tax revenues increase by approximately \$710,000 annually beginning in FY 2026 as a result of changes to the property tax credit program. County expenditures are not affected.

Small Business Effect: Minimal.

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.

Local Fiscal Effect: 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.

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
js/hlb

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