

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 389

(Delegates Palakovich Carr and D. Jones)

Ways and Means

Budget and Taxation

Property Tax - Day Care Centers, Child Care Homes, and Child Care Centers

This bill expands eligibility for a personal property tax exemption for specified child care homes to include large family child care homes. The bill also alters the eligibility for local real property tax credits for day care centers and child care homes to include large family child care homes and repeals a requirement that specified improvements to real property must be completed after a specified date in order to be eligible for the property tax credit. The bill specifies that the amount of the annual property tax credits for day care centers and child care homes may not exceed \$10,000 or the amount of property tax due. **The bill takes effect June 1, 2025, and applies to taxable years beginning after June 30, 2025.**

Fiscal Summary

State Effect: None.

Local Effect: Local government property tax revenues may decrease beginning in FY 2026 to the extent that local jurisdictions grant the property tax credit, the changes to existing eligibility requirements result in additional individuals becoming eligible for the property tax credit, and local jurisdictions increase the maximum amount of the property tax credit. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law:

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.

Real Property Tax Credits

Local governments are authorized to grant a property tax credit for (1) real property used exclusively for a specified day care center and (2) real property used for a family child care home.

As a point of reference, the Maryland State Department of Education reports that there are 151 licensed large family child care homes in the State. In addition, there are 2,426 licensed child care centers and 4,006 registered family child care facilities.

Local Fiscal Effect: Local property tax revenues may decrease beginning in fiscal 2026 due to the expansion of the personal property tax exemption and to the extent that local jurisdictions grant the property tax credits.

Personal Property Tax Exemption

Expanding the eligibility for a personal property tax exemption for specified child care homes to include large family child care homes should not have a significant impact on

local revenues. Based on information provided by Worcester County, expanding the personal property tax exemption could reduce county revenues by approximately \$7,500 per year beginning in fiscal 2026. Assuming the fiscal impact in other jurisdictions is similar, the potential decrease in local revenues is assumed to be minimal across the State.

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

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 credit of \$3,000.

Due to the limited extent to which local governments have authorized these local property tax credits, the legislation is not expected to have a significant fiscal impact on local governments.

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: SB 516 (Senator King, *et al.*) - Budget and Taxation.

Information Source(s): Kent, Montgomery, and Worcester counties; Maryland Municipal League; Maryland State Department of Education; Department of Legislative Services

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