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Ways and Means Committee

Chair, Early Childhood Subcommittee

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THE MARYLAND HOUSE OF DELEGATES
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Testimony in Support of HB 389
Property Tax - Day Care Centers, Child Care Homes, and Child Care Centers

This is enabling legislation that would allow counties to offer broader and more generous property tax credits to child care businesses to help them stay in operation.

According to the Comptroller's December 2024 report on the state of child care,¹ Maryland has experienced a 15.5% decline in licensed child care providers and a 5.5% decline in overall child care capacity in just a few years. Home-based child care providers have experienced the most significant declines in that span, with a net loss of over 1,000 registered providers for an overall rate of decline of 21.6%.

HB 389 reforms the property tax credits that counties are currently authorized to offer under Tax-Property §9-213 and §9-214. Tax-Property §9-213 allows a credit for child care providers' real property; Tax-Property §9-214 allows a similar credit for businesses that create on-site space for child care. Neither tax credit has been changed since the 1980s, with the \$3,000 statutory cap on the provider credit having remained the same since 1989. It is past time that these credits are reformed so that counties are better able to meet their communities' child care needs.

To date, only four counties have taken advantage of one or both of the credits:

- Frederick County: offers the §9-213 credit for child care providers
- Harford County: offers the §9-214 credit for businesses
- Howard County: offers both credits
- Montgomery County: offers both credits

The current tax credits are of limited utility because of the limitations on facility age and the low dollar amount (which is set in state law). Montgomery County reports that only 5 child care providers received the county's property tax credit in the most recent levy year (2023), with a total of just \$11,122 in child care property tax credits awarded countywide.

¹ <https://marylandtaxes.gov/reports/static-files/research/childcare.pdf>

This bill will make the authority in state law more flexible, thereby encouraging more counties to offer these credits or expand their existing credits to include additional properties.

What the Bill Does:

- Broadens two child care-related property tax credits already allowed in state law so that any registered child care provider or business that offers on-site child care – regardless of the age of their building – could qualify for a local tax credit (subject to their county's specific implementing legislation).
- Raises the limit on the property tax credit for child care providers (§9-213) from \$3,000 to \$10,000 and conforms the tax credit for businesses (§9-214) to the same limit.
 - Note: The existing caps on local tax credits are \$3,000 in Frederick (§9-213 credit), Howard (both credits), and Montgomery Counties (both credits) and \$10,000 in Harford County (§9-214 credit).
- Makes large family child care homes eligible for both credits; child care centers and family child care homes are already eligible under current law.
- Exempts large family child care homes from taxes on personal property; family child care homes are already exempt under current law.
 - Note: In 2022, the General Assembly raised the exemption from personal property assessment for all Maryland businesses from \$2,500 to \$20,000.
- Makes technical changes to certain references in the code, including adding Baltimore City to the provisions allowing all counties the authority to adopt additional eligibility criteria when implementing the credits.