

**Department of Legislative Services**  
Maryland General Assembly  
2013 Session

**FISCAL AND POLICY NOTE**

House Bill 822  
Ways and Means

(Calvert County Delegation)

Budget and Taxation

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**Calvert County - Property Tax - Natural Gas Facility**

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This bill authorizes Calvert County to enter into a negotiated payment in lieu of taxes agreement for all or a specified part of the county real, operating real, personal, or operating personal property owned by a facility for the liquefaction of natural gas that is located or locates in Calvert County. The county real, operating real, personal, or operating personal property of the facility is exempt from Calvert County property taxes for the duration of the agreement. The bill requires the Supervisor of Assessment for Calvert County to assess the operating real, personal, or operating personal property of the facility on the written request of the Calvert County government. In addition, the bill extends eligibility for an existing local property tax credit to a natural gas liquefaction facility.

The bill takes effect June 1, 2013, and applies to taxable years beginning after June 30, 2013.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Calvert County property tax revenues may decrease beginning in FY 2014 to the extent the county enters into a payment in lieu of taxes agreement with a natural gas liquefaction facility. Any revenue decrease will be mitigated by negotiated payment in lieu of taxes agreements between the county and a natural gas liquefaction facility.

**Small Business Effect:** None.

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## Analysis

**Current Law:** While local governments have limited ability to alter real property exemptions, they have been granted broad authority to exempt certain types of personal property from property taxation. The types of property exempt from local taxation are enumerated in Title 7 of the Tax-Property Article. Exemptions apply to State property taxation as well, although the State does not tax personal property.

The major local government real property tax exemptions include local, State, and federal government property; property of religious organizations; cemeteries and mausoleums; nonprofit hospitals; portions of continuing care facilities for the elderly; property of charitable, fraternal, and educational institutions; property used for national defense or military housing; property of national veterans' organizations; homes of disabled veterans and the blind (partial exemption), or a surviving spouse of either; property of historical societies and museums; property owned by certain taxpayers engaged in building, operating, and managing nonprofit multifamily units, subject to local government approval; and property owned by fire companies, rescue squads, community water corporations, and housing authorities.

The major personal property tax exemptions include property of finance companies and savings and loan associations; manufacturing equipment (though subject to tax in some counties at specified percentages of assessment and subject to municipal property tax, unless exempted in full or in part by the municipal corporation); manufacturing inventory (though subject to municipal property tax, unless exempted in full or in part by the municipal corporation); commercial inventory (though subject to tax on up to 35% of assessment in Wicomico County and subject to municipal property tax, unless exempted in full or in part by the municipal corporation); motor vehicles, small vessels, and registered aircraft; certain agricultural products and commodities; farming implements and livestock; personal possessions in the owner's home; property belonging to a home-based business with an initial purchase price of less than \$10,000; and intangible property.

### *Local Property Tax Credit – New or Expanding Businesses*

Calvert County is authorized to grant, by law, a property tax credit against the county property tax imposed on real property owned by an expanding or new business that meets specified criteria. The credit may be granted to an expanding or new business engaged in the generation of electricity against the county tax imposed on personal property and real property owned by the expanding or new business.

In order to be eligible for the property tax credit, the new or expanding business must (1) employ at least 25 new additional full-time employees, the salaries for which must be

greater than the county annual average salary in the economic development target market sector, as determined by the county and (2) acquire at least \$2.5 million in land, improvements to the land, or equipment in the county.

The tax credit must be granted to a business that owns the land and building it occupies within the county or any party responsible for paying the real property tax on all or part of the land or building.

The tax credit may not exceed 50% of the amount of property tax due in any taxable year. Calvert County may define, fix, or limit the amount, terms, scope, and duration of any credit provided.

**Background:** In January 2012, a circuit court judge in Calvert County ruled that Dominion's Cove Point facility in Lusby, Maryland could convert its liquefied natural gas (LNG) importing facility to LNG exporting facility. Dominion had reached an agreement with the Sierra Club and some other environmental groups regarding approval for any expansion to the facility.

**Local Fiscal Effect:** Calvert County property tax revenues may decrease beginning in fiscal 2014 to the extent the county enters into a payment in lieu of taxes agreement with a natural gas liquefaction facility. The amount of any decrease depends on the assessed value of real, operating real, personal, or operating personal property owned by a natural gas liquefaction facility. Any revenue decrease will be mitigated by negotiated payment in lieu of taxes agreements. In addition, county income tax revenues may increase to the extent that new jobs are created in the county. For fiscal 2013, the Calvert County property tax rate for real property is \$0.892 per \$100 of assessed value; for utility operating real property and utility operating personal property the tax rate is \$2.23 per \$100 of assessed value.

As a point of reference, the State Department of Assessments and Taxation (SDAT) reports that the Cove Point LNG facility has a real property tax assessment of \$53 million and a personal property tax assessment of \$626 million which results in approximately \$15.1 million in local property tax revenues, based on current property tax rates.

SDAT also reports that there is currently some liquefaction property assessed as part of the operating unit. It was installed between 2000 and 2010, when Cove Point was used as a natural gas storage facility.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 656 (Senator Miller) - Budget and Taxation.

**Information Source(s):** Department of Natural Resources, Maryland Department of the Environment, State Department of Assessments and Taxation, Department of Legislative Services

**Fiscal Note History:** First Reader - February 27, 2013  
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