

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 108

(Senator Simonaire)

Budget and Taxation

Ways and Means

**Property Tax Credit - Erosion Control Measures - Nonstructural and Structural
Shoreline Stabilization**

This bill alters the requirements for a local option property tax credit for specified erosion control structures.

The bill takes effect June 1, 2017, and applies to taxable years beginning after June 30, 2017.

Fiscal Summary

State Effect: None.

Local Effect: Potential minimal impact on local property tax revenues. Only two county governments provide property tax credits for erosion control structures. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Bill Summary: The bill specifies that a “nonstructural shoreline stabilization measure” means an erosion control measure that (1) is dominated by tidal wetland vegetation and (2) is designed to preserve the natural shoreline, minimize erosion, and establish aquatic habitat. A nonstructural shoreline stabilization measure includes marsh or other tidal wetland creation or a living shoreline.

To qualify for the tax credit under the bill, the erosion control structures, devices, and procedures specified must, with respect to erosion control structures, devices, and procedures implemented after June 30, 2017, (1) meet the standards of a nonstructural shoreline stabilization measure or (2) meet the standards of a structural shoreline stabilization measure if the erosion control structure or device is located in an area designated by the Maryland Department of the Environment (MDE) mapping as appropriate for structural shoreline stabilization measures and not suitable for a living shoreline; and MDE has granted the taxpayer a waiver from the construction of a nonstructural shoreline stabilization measure. These standards do not apply to the implementation of a measure required to change drainage patterns.

Current Law: County and municipal governments are authorized to grant a property tax credit for real property on which erosion control structures or devices have been installed or for which erosion control procedures have been implemented that halt or retard erosion of shorelines and deposit of eroded sediments in the waters of the State, including (1) erection or placement of bulkheads, groins, or other erosion control devices; (2) measures required to stabilize waterside, shorelines, and banks; and (3) measures required to change drainage patterns. Local governments may provide, by law, for (1) the amount of a property tax credit; (2) the duration of a property tax credit; (3) the definition of erosion control structures, devices, and procedures qualifying for the credit; and (4) any other provision necessary to carry out the property tax credit.

Background: Erosion control measures are used to halt the erosion of shorelines and deposition of sediments into the waters of the State. The State's Living Shorelines Protection Act requires that any homeowner applying for a wetlands permit for the installation of improvements on their property for the purposes of protecting against shoreline erosion must consist of nonstructural shoreline stabilization or marsh creation.

The Department of Natural Resources (DNR) advises that while nonstructural erosion control measures are the preferred method of erosion control, there is a process in which property owners can request a waiver from having to install nonstructural measures. DNR reports that nonstructural shoreline stabilization, or living shorelines, have a multitude of natural resource benefits including greater resiliency against storm events, creation of aquatic and terrestrial habitat, and improvements to water quality.

The bill amends the current optional property tax credit and allows local governments the ability to incentivize the installation of nonstructural shoreline stabilization measures, rather than structural measures, as the preferred method of erosion control for property owners looking to mitigate shoreline erosion.

Local Fiscal Effect: Data collected by the Department of Legislative Services during 2016 indicates that two counties – Anne Arundel and Dorchester – have enacted the local property tax credit for erosion control structures. In Anne Arundel County, 17 property owners claimed \$18,741 in property tax credits in 2016. In Dorchester County, 72 property owners claimed \$68,729 in property tax credits in 2016.

It is not known how many of the properties that received the property tax credit in 2016 have erosion control structures that will meet the requirements of the bill. To the extent that the bill alters the number of properties that are eligible to receive the property tax credit, local property tax revenues will be effected accordingly.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore, Charles, Montgomery, and Somerset counties; Maryland Association of Counties; cities of Frederick and Havre de Grace; Maryland Department of the Environment; Department of Natural Resources; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - January 31, 2017
mm/hlb Third Reader - March 21, 2017
Revised - Amendment(s) - March 21, 2017

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510