

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 761
Ways and Means

(Delegate Otto)

Budget and Taxation

**Somerset County - Property Tax Exemption for Manufacturing Property -
Eastern Shore Forest Products, Inc.**

This bill establishes that the limitations on a property tax exemption for manufacturing property in Somerset County do not apply to an exemption granted to Eastern Shore Forest Products, Inc. **The bill takes effect June 1, 2020.**

Fiscal Summary

State Effect: None.

Local Effect: Somerset County revenues decrease by approximately \$106,900 annually beginning in FY 2021. County expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: The Somerset County Commissioners may exempt from county taxation factories, manufacturing industries, fabricating or assembling facilities, and industrial plants; the land, machinery, and tools that those facilities use; and stock in trade or products of the facilities that are located in the county.

The county commissioners must determine the eligibility criteria for the property tax exemption. However, the property tax exemption must be granted only in those instances where 10 or more wage earners are regularly employed by the person, persons, or corporation applying for the tax exemption. In addition, a tax exemption may only be granted to new industries or to established local industries, which are making substantial

bona fide improvements or expansion or undertaking similar new construction work. Also, the tax exemption must be granted only with respect to property that is represented by such new improvements, expansion, or construction work.

The property tax exemption must be granted for only one year or portion of one year at a time, at the expiration of which the exemption may be renewed after reapplication and approval by the county commissioners. An exemption may not continue for longer than five years.

Background: Only one business (Eastern Shore Forest Products) currently receives the property tax exemption. According to the Somerset County Finance Office, the personal property tax bill for the business has not been paid since fiscal 2014, which was the fifth year of the tax exemption. The cumulative amount of unpaid taxes for the six-year period totals \$429,400. The county government has entered into an agreement with Eastern Shore Forest Products, whereby the business would pay back a total of \$100,000 over the next three years.

Local Fiscal Effect: Somerset County property tax revenues decrease by approximately \$106,900 annually beginning in fiscal 2021 based on the current exemption amount. Future year revenue losses assume a constant property tax rate and assessment amount.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Somerset County; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - February 14, 2020
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