

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1257 (Delegate Hornberger)
Ways and Means

**Business Personal Property Tax – Businesses Affected by COVID–19 Restrictions
– Reimbursement**

This emergency bill requires the State Department of Assessments and Taxation (SDAT) to reimburse eligible businesses that file a business personal property tax return between January 1, 2021, and April 15, 2021, for the full amount of business personal property taxes paid during calendar 2020. To qualify for the reimbursement, an eligible business must have been (1) completely unable to do business or (2) unable to conduct normal business on the premises of the business and was required to provide curbside, carryout, or delivery services only due to restrictions imposed by the Governor’s Executive Orders 20-03-19-01 and 20-03-30-01. **The bill terminates July 1, 2021.**

Fiscal Summary

State Effect: General fund revenues decrease by a significant amount in FY 2021, depending on the number of eligible businesses and the amount of personal property taxes paid by each eligible business. State expenditures are not affected.

Local Effect: None.

Small Business Effect: Meaningful. Small businesses will be reimbursed for business personal property taxes paid for calendar 2020 (FY 2021).

Analysis

Bill Summary: SDAT must (1) pay the required reimbursements exclusively out of the general fund of the State balance; (2) make a reimbursement to each eligible business in the order in which the eligible business files its personal property tax return; and (3) make

no further reimbursements to eligible businesses after the general fund of the State balance is exhausted.

An eligible business must file a business personal property tax return between January 1, 2021, and April 15, 2021, in order to receive a reimbursement regardless of whether the eligible business is required by law to file a business property tax return during that period.

Current Law: 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, SDAT 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.

At the beginning of each calendar year, SDAT notifies business entities on record that a personal property tax return must be filed by April 15. For reports filed in calendar 2020, the filing deadline was extended to July 15, 2020, due to the COVID-19 pandemic. This tax return must include personal property located in Maryland as of January 1, the date of finality. The “date of finality” is the date used to determine ownership, location, value, and liability for tax purposes. An annual report fee is required to be paid to SDAT with the personal property tax return. The annual report fee is for the privilege of maintaining the legal entity’s existence in the State.

COVID-19 Public Health Emergency

The Governor declared a public health emergency on March 5, 2020, with the declaration being extended several times since. The public health emergency is still in effect, and the most recent renewal occurred on February 19, 2021.

The Maryland Department of Commerce administered a total of \$380 million in COVID-19 relief funding in fiscal 2020 and 2021. Funding was provided by the Governor both from the coronavirus relief funds from the Coronavirus Aid, Relief, and Economic Security Act (\$189 million) as well as the Rainy Day Fund (\$190 million). The remaining \$1 million was provided with general and federal funds from the Maryland State Arts Council. As of January 2021, \$366.6 million has been disbursed to businesses, nonprofits, and other recipients of relief, or awarded to local jurisdictions to disburse to businesses. Of the remaining \$13.3 million, \$1.7 million is still in the process of being awarded and disbursed to businesses through the Maryland Small Business Financing Authority program, \$1.2 million has been awarded to businesses under the manufacturing program

but will not be disbursed until the recipients complete documentation of expenses, and \$10.5 million represents unused Rainy Day funds that were in excess of applications received for the Emergency Grant and Emergency Manufacturing programs.

State Fiscal Effect: General fund revenues decrease by a significant amount in fiscal 2021 due to refunds being issued for business personal property taxes paid by eligible businesses. The amount of the revenue decrease depends on the number of eligible businesses and the amount of personal property taxes paid by each eligible business. Approximately 126,500 businesses in Maryland filed a personal property tax return with SDAT in fiscal 2020, with the average assessment totaling \$103,520. Using an average personal property tax rate of \$2.765 per \$100 of assessment, the average personal property tax paid by these businesses totaled \$2,860. As shown in **Exhibit 1**, local personal property tax revenue from business personal property is projected to total approximately \$365.4 million in fiscal 2021.

Pursuant to the bill, the total State revenue decrease is limited to the amount of the State's general fund balance. As of March 2, 2021, the projected State general fund balance for the end of fiscal 2021 will total approximately \$391.0 million. This estimate is based on current legislative actions, including the Recovery for the Economy, Livelihoods, Industries, Entrepreneurs, and Families Act, veto overrides, as well as Supplemental Budgets No.1 and 2.

Exhibit 1
Personal Property Tax Revenues
Fiscal 2021

County	Tax Rate	Business Personal Property	Estimated Revenue Yield
Allegany	\$2.4375	\$169,000,000	\$4,119,000
Anne Arundel	2.3350	1,550,000,000	36,193,000
Baltimore City	5.6200	1,090,000,000	61,258,000
Baltimore	2.7500	1,800,000,000	49,500,000
Calvert	2.2300	130,000,000	2,899,000
Caroline	0.0000	0	0
Carroll	2.5150	285,000,000	7,168,000
Cecil	2.6035	360,000,000	9,373,000
Charles	3.0125	220,000,000	6,628,000
Dorchester	0.0000	3,300,000	0
Frederick	0.0000	6,800,000	0
Garrett	0.0000	130,000,000	0
Harford	2.6049	670,000,000	17,453,000
Howard	3.1250	990,000,000	30,938,000
Kent	0.0000	0	0
Montgomery	2.4780	2,250,000,000	55,755,000
Prince George's	3.4350	1,700,000,000	58,395,000
Queen Anne's	0.0000	20,100,000	0
St. Mary's	2.1195	185,000,000	3,921,000
Somerset	2.5000	105,000,000	2,625,000
Talbot	0.0000	0	0
Washington	2.3700	410,000,000	9,717,000
Wicomico	2.1715	200,000,000	4,343,000
Worcester	2.1125	240,000,000	5,070,000
Total		\$12,514,200,000	\$365,355,000

Source: Department of Legislative Services

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Department of Budget and Management; Maryland State Treasurer's Office; State Department of Assessments and Taxation; Department of Legislative Services

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rh/hlb

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