

Department of Legislative Services  
Maryland General Assembly  
2022 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

Senate Bill 274

(Senator Hayes, *et al.*)

Budget and Taxation

Ways and Means

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**Property Tax - Exemptions for Business Personal Property - Alterations**

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This bill expands the business personal property tax exemption by increasing the value of personal property eligible for an exemption. Specifically, the bill increases, from \$2,500 to \$20,000, the total original cost of the personal property eligible for an exemption from personal property valuation and taxation. In addition, the bill increases from \$10,000 to \$20,000, the total original cost of the personal property eligible for an exemption from personal property valuation and taxation for a home business. The bill prohibits the State Department of Assessments and Taxation (SDAT) from (1) collecting personal property information from these individuals or (2) requiring these individuals to submit a personal property tax return. **The bill takes effect June 1, 2022, and applies to taxable years beginning after June 30, 2022.**

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**Fiscal Summary**

**State Effect:** None. The bill's requirements can be handled with SDAT's existing budgeted resources.

**Local Effect:** Local government revenues decrease by approximately \$1.5 million annually beginning in FY 2023. Local expenditures are not affected. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** Potential meaningful. Small businesses that qualify for the higher exemption amount under the bill will realize reduced personal property taxes. The average tax savings is estimated at \$104 per business. In addition, these small businesses will no longer incur costs associated with filing a personal property tax return.

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## Analysis

**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. 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. All tax returns are currently filed electronically. 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.

Chapter 102 of 2018 established an exemption from personal property valuation and taxation if the total original cost of the personal property was less than \$2,500. Personal property used in connection with a home business is exempt from personal property valuation and taxation if the total original cost was less than \$10,000.

**Local Fiscal Effect:** Local personal property tax revenues decrease by approximately \$1.5 million annually beginning in fiscal 2023. This estimate is based on the following:

- 14,217 businesses in Maryland with an original personal property assessment of between \$2,500 and \$20,000.
- Personal property assessment for these businesses totaled \$44.2 million.
- Average personal property assessment per business is approximately \$3,100.
- Average personal property tax rate in fiscal 2022 is \$2.7917 per \$100 of assessment.

Personal property tax rates range from \$2.1125 per \$100 of assessment in Worcester County to \$5.62 per \$100 of assessment in Baltimore City. SDAT reports that six counties (Caroline, Dorchester, Frederick, Kent, Queen Anne's, and Talbot) do not impose personal property taxes. In addition, Garrett County does not impose personal property taxes on business personal property.

## Additional Information

**Prior Introductions:** None.

**Designated Cross File:** HB 268 (Delegate Henson, *et al.*) - Ways and Means.

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

**Fiscal Note History:** First Reader - January 31, 2022  
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