

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 249
Ways and Means

(Delegates Addison and Young)

Budget and Taxation

Baltimore City - Property Tax - Retroactive Exemption

This emergency bill authorizes a person in Baltimore City who applies for a property tax exemption for property owned by specified nonprofit or religious organizations to request the exemption apply retroactively for up to three taxable years ending with the year in which the application is filed. The State Department of Assessments and Taxation (SDAT) must grant the exemption, subject to a specified review and approval of the Baltimore City Solicitor and the Baltimore City Department of Finance. Baltimore City and the State must pay a refund of excess taxes paid due to a retroactive exemption that is granted under the bill. By December 1, 2023, and each December 1 through December 1, 2027, the Baltimore City Department of Finance must submit a report to the Governor and the General Assembly that indicates (1) the number of requests for a retroactive exemption that the department received and approved during the immediately preceding year and (2) any amounts refunded for a retroactive exemption. **The bill terminates December 31, 2026.**

Fiscal Summary

State Effect: Annuity Bond Fund (ABF) revenues decrease by approximately \$14,200 annually in FY 2023 through 2027. Expenditures are not affected.

Local Effect: Baltimore City property tax revenues decrease by approximately \$285,000 annually in FY 2023 through 2027. Baltimore City can handle the reporting requirements with existing resources. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Potential meaningful. Small businesses that are eligible for the real property tax exemption benefit from property tax refunds.

Analysis

Current Law: Generally, the law exempts certain types of real property from property taxation such as government-owned, charitable, benevolent, educational, religious, veterans' organizations, fire companies, historical societies, and museums. SDAT is responsible for determining exemptions that are specified by law. The department is required by law to assess all exempt real property, except property owned by the federal government.

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 real property exemptions from the local property tax are:

- 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.

In Baltimore City, tax exempt organizations must submit an application to SDAT every three years in accordance with the department's three-year assessment cycle. The application must certify that the property is being used for its tax-exempt purpose.

State Fiscal Effect: ABF revenues decrease by approximately \$14,200 annually in fiscal 2023 through 2027. The estimate is based on the following facts and assumptions:

- approximately 25 properties transfer from taxable properties to exempt ownership each year;

- the average taxable assessment of these properties is approximately \$170,000;
- the State real property tax rate is \$0.112 per \$100 of assessment; and
- refunds are paid for three years for each newly exempt property.

Local Revenues: Based on the above estimate, and a Baltimore City real property tax rate of \$2.248 per \$100 of assessment, Baltimore City property tax revenues decrease by approximately \$285,000 annually in fiscal 2023 through 2027.

Additional Comments: For fiscal 2022, the total assessed value of exempt property in the State was approximately \$104.3 billion, including \$17.3 billion in Baltimore City.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 41 (Senator McCray) - Budget and Taxation.

Information Source(s): Baltimore City; State Department of Assessments and Taxation; Department of Legislative Services

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