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Finance Committee



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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

February 2nd, 2022

Testimony of Senator Hayes in Support of Senate Bill 274:

Property Tax - Exemption for Business Personal Property Alterations

Chairman Guy Guzzone and Members of the Budget and Taxation Committee,

It is my honor to bring before you a bill that benefits the hearts of our communities, small businesses. Business Personal Property Tax, often referred to as Personal Property, is an assessment against businesses set by the Counties and administered by The Department of Assessments and Taxation (SDAT).

Currently, all Maryland counties except for Caroline, Dorchester, Frederick, Garrett, Kent, Queen Anne, and Talbot County assess Business Personal Property. There is no state personal property tax, so this bill does not impact state revenues.

The purpose of SB274 "Property Tax - Exemptions for Business Personal Property - Alterations" is to help small businesses get rid of the burden of filing personal property tax returns with SDAT. It can be quite expensive for a business to file a personal property tax return as an accountant is often required to generate and file this annual return.

In many instances the tax assessed is lesser than the expense of complying with the filing. SB274 helps alleviate a burdensome and inefficient compliance requirement.

By way of example, the average tax bill for businesses in Anne Arundel County is \$80. The number is even less for Montgomery County, where the average tax bill is \$59. By contrast the accounting fees to generate and file the report commonly exceed \$500.

The fiscal note was written to indicate the maximum amount of anticipated losses by the counties. Actual losses may be much less. For instance the fiscal note reflects that every business has \$20,000 of Taxable Property. However, if businesses own \$10,000 to \$19,999 of Taxable Property the fiscal impact would be lesser.

It is important to also highlight that the majority of Personal Property revenue comes from Public Utilities/Railroads. No changes have been made to their taxes.

Delegate Henson has worked closely with SDAT in crafting this bill, and SB274 has no fiscal impact on the Department. In fact, The Department expects some reduced expenditures for not having to store the exempted returns. The Department has also indicated that there will be significant savings related to SDAT not having to assess these returns, allowing SDAT to reallocate resources to where they're needed the most: audit functions and assessing returns faster.

In total, this bill would exempt over 14,000 small businesses from filing a Business Property Tax return with SDAT.

I urge a favorable vote with a friendly amendment that will conform the Senate version to the House version of this cross-filed bill.

Respectfully,



Senator Antonio L. Hayes
40th Legislative District – MD