

MEMORANDUM

June 24, 2016

TO: County Council

FROM: Amanda Mihill, Legislative Attorney *A. Mihill*

SUBJECT: **Action:** Expedited Bill 21-16, Property Tax Credit – Burtonsville Enterprise Zone Property – Personal Property

Expedited Bill 21-16, Property Tax Credit – Burtonsville Enterprise Zone Property – Personal Property, sponsored by Lead Sponsor Councilmember Hucker and Co-Sponsors Councilmembers Elrich and Navarro, was introduced on May 17, 2016. A public hearing was held on June 21 at which 2 speakers – Senator Craig Zucker and Delegate Pam Queen – supported Bill 21-16.

Bill 21-16 would allow a property tax credit for certain personal property owned by certain business entities located in the Burtonsville Crossroads Neighborhood Plan and also amend certain definitions for the Burtonsville Enterprise Zone property tax credit.

Council staff recommendation: enact Bill 21-16.

This packet contains:	<u>Circle #</u>
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Expedited Bill No. 21-16
Concerning: Property Tax Credit –
Burtonsville Enterprise Zone Property
– Personal Property
Revised: 5/11/2015 Draft No. 2
Introduced: May 17, 2016
Expires: November 17, 2017
Enacted: _____
Executive: _____
Effective: July 1, 2016
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Councilmember Hucker
Co-Sponsors: Councilmember Elrich and Navarro

AN EXPEDITED ACT to:

- (1) allow a property tax credit for certain personal property owned by certain business entities located in the Burtonsville Crossroads Neighborhood Plan;
- (2) amend certain definitions for the Burtonsville Enterprise Zone property tax credit; and
- (3) generally amend the law relating to property tax credits.

By amending

Montgomery County Code
Chapter 52, Taxation
Section 52-108

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Section 52-108 is amended as follows:

52-108. Burtonsville Enterprise Zone Property.

(a) *Definitions.* In this Section, the following words have the meanings indicated:

* * *

Qualified property means real property that:

- (1) is located within the area encompassed by the Burtonsville Crossroads neighborhood Plan developed by the Montgomery County Planning Department;
- (2) is zoned for commercial or commercial/residential mixed use development and is used for a commercial purpose; and
- (3) is improved after the effective date of this Bill and before January 1, 2020 or another date provided in Section 9-317 of the Tax-Property Article.

* * *

(b) *Credit.*

- (1) *Credit authorized.* The Director of Finance must allow a credit, as authorized by State law, to a taxpayer against all County property tax and imposed on:
 - (A) improvements made by an eligible business entity to qualified property; and
 - (B) personal property owned by an eligible business entity located on qualified property.

* * *

Sec. 2. Expedited Effective Date.

The Council declares that this legislation is necessary for the immediate protection of the public interest. This Act takes effect July 1, 2016.

LEGISLATIVE REQUEST REPORT

Expedited Bill 21-16

Property Tax Credit – Burtonsville Enterprise Zone Property – Personal Property

DESCRIPTION: Bill 21-16 would allow a property tax credit for certain personal property owned by certain business entities located in the Burtonsville Crossroads Neighborhood Plan

PROBLEM: The state law authorizing the County to adopt a this tax credits allows the credit to extend to personal property owned by an eligible business entity located on qualified property.

GOALS AND OBJECTIVES: To mirror the state law authorizing the credit.

COORDINATION: Finance

FISCAL IMPACT: To be requested

ECONOMIC IMPACT: To be requested

EVALUATION: To be researched.

EXPERIENCE ELSEWHERE: To be researched.

SOURCE OF INFORMATION: Amanda Mihill, Legislative Attorney, 240-777-7815

APPLICATION WITHIN MUNICIPALITIES: N/A

PENALTIES: N/A

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ROCKVILLE, MARYLAND

MEMORANDUM

June 6, 2016

TO: Nancy Floreen, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget
Joseph F. Beach, Director, Department of Finance

SUBJECT: FEIS for Bill 21-16E, Property Tax Credit – Burtonsville Enterprise Zone
Property – Personal Property

Please find attached the fiscal and economic impact statements for the above-referenced legislation.

JAH:fz

cc: Bonnie Kirkland, Assistant Chief Administrative Officer
Lisa Austin, Offices of the County Executive
Joy Nurmi, Special Assistant to the County Executive
Patrick Lacefield, Director, Public Information Office
Joseph F. Beach, Director, Department of Finance
David Platt, Department of Finance
Jane Mukira, Office of Management and Budget
Alex Espinosa, Office of Management and Budget
Naeem Mia, Office of Management and Budget

Fiscal Impact Statement
Bill 21-16E, Property Tax Credit – Burtonsville Enterprise Zone Property –
Personal Property

1. Legislative Summary:

This legislation amends Section 52-108(b) (1) to authorize a credit on personal property owned by an eligible business entity located on qualified property. Bill 21-16E amends the definition of qualified property in Section 52-108(a)(3) as real property that “is improved after the effective date of this Bill and before January 1, 2020 *or another date provided in Section 9-317 of the Tax-Property Article.*”

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

The source of information and data include the Treasury Division (Treasury), Department of Finance (Finance). Treasury extracted personal property data for levy years 2014 and 2015. However, since Burtonsville Enterprise Zone (EZ) is located in the largest general tax class, Treasury matched mailing addresses for real property tax accounts in the EZ to personal property tax accounts. Second, Treasury determined which personal property accounts in the County had mailing addresses in the EZ using electronic map coordinates. The methodology yielded a total number of 63 accounts. Of those accounts, Treasury determined that 19 accounts had an increase in personal property assessments between levy year 2014 (FY2015) and levy year 2015 (FY2016) and therefore eligible for the credit. Based on that data and the personal property tax rate, Treasury estimates the total amount of the credit in levy year 2015 (FY2016) is approximately \$9,000.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

Finance assumes that the personal property assessments for those accounts currently eligible for the credit will increase at an average annual rate of 1.1 percent per year and no change to the personal property tax rate.

FY2017: \$9,100

FY2018: \$9,200

FY2019: \$9,300

FY2020: \$9,400

FY2021: \$9,500

FY2022: \$9,600

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

Not applicable

5. An estimate of expenditures related to County’s information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.

Not applicable

6. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

Not applicable

7. An estimate of the staff time needed to implement the bill.

No additional staff time is needed to implement Bill 21-16E.

8. An explanation of how the addition of new staff responsibilities would affect other duties.

Not applicable

9. An estimate of costs when an additional appropriation is needed.

Not applicable

10. A description of any variable that could affect revenue and cost estimates.

The variables that could affect the estimates for the current and future levy (fiscal) years are the number of businesses located on qualified property, the assessed values for personal property, the number of accounts that experienced an increase in assessed values, and the personal property tax rate.

11. Ranges of revenue or expenditures that are uncertain or difficult to project.

A change in the variables discussed in paragraph 10 would affect the range of revenues and therefore difficult to project.

12. If a bill is likely to have no fiscal impact, why that is the case.

Bill 21-16E would have a relatively small fiscal impact because of the small number of estimated personal property accounts (19 accounts – please see paragraph 2).

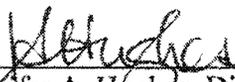
13. Other fiscal impacts or comments.

Not applicable.

14. The following contributed to and concurred with this analysis:

David Platt, Michael Coveyou, and Rob Hagedoorn, Department of Finance

Jane Mukira, Office of Management and Budget



Jennifer A. Hughes, Director
Office of Management and Budget

6/6/16
Date

Economic Impact Statement
Bill 21-16E, Property Tax Credit – Burtonsville Enterprise Zone Property –
Personal Property

Background:

This legislation amends Section 52-108(b)(1) that authorizes a credit on personal property owned by an eligible business entity located on qualified property. Bill 21-16E amends the definition of qualified property in Section 52-108(a)(3) as real property that “is improved after the effective date of this Bill and before January 1, 2002 *or another date provided in Section 9-317 of the Tax-Property Article.*”

1. The sources of information, assumptions, and methodologies used.

The source of information and data include the Treasury Division (Treasury), Department of Finance (Finance). Treasury extracted personal property data for levy years 2014 and 2015. However, since Burtonsville Enterprise Zone (EZ) is located in the largest general tax class, Treasury matched mailing addresses for real property tax accounts in the EZ to personal property tax accounts. Second, Treasury determined which personal property accounts in the County had mailing addresses in the EZ using electronic map coordinates. The methodology yielded a total number of 63 accounts. Of those accounts, Treasury determined that 19 accounts had an increase in personal property assessments between levy year 2014 and levy year 2015 and therefore eligible for the credit. Based on that data and the personal property tax rate, Treasury estimates the total amount of the credit in levy year 2015 is approximately \$9,000.

2. A description of any variable that could affect the economic impact estimates.

Based on the methodology presented in paragraph 1, the variables that could affect the economic impact estimates are the number of businesses located on qualified property, the assessed values for personal property, and the number of accounts that experienced an increase in assessed values.

3. The Bill’s positive or negative effect, if any on employment, spending, savings, investment, incomes, and property values in the County.

Based on Treasury’s estimate of a total credit of \$9,000 in levy year 2015, Bill 21-16E will have no significant impact on County’s employment, spending, savings, investment, incomes, and property values.

4. If a Bill is likely to have no economic impact, why is that the case?

Bill 21-16E would likely have no significant impact. Please see paragraph 3.

Economic Impact Statement
Bill 21-16E, Property Tax Credit – Burtonsville Enterprise Zone Property –
Personal Property

5. **The following contributed to or concurred with this analysis:** David Platt, Michael Coveyou, and Robert Hagedoom, Finance.



Joseph F. Beach, Director
Department of Finance

6/3/16
Date