

Department of Legislative Services  
Maryland General Assembly  
2016 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 1299  
Ways and Means

(Delegate A. Washington)

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Property Tax - Public Land and Public Use - Exemption

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This bill provides a property tax exemption for a person's interest in property located on property owned by the federal, State, county, or municipal government, as long as the property is used for a public purpose.

The bill takes effect June 1, 2016, and applies to taxable years beginning after June 30, 2016.

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Fiscal Summary

**State Effect:** State special fund revenues are not significantly affected, since the State does not impose a personal property tax, and it is unlikely that a person owns a significant interest in real property located on State-owned property.

**Local Effect:** Baltimore City property tax revenues decrease by approximately \$2.2 million annually beginning in FY 2017. Potential decrease in property tax revenues in other jurisdictions. Local expenditures are not directly affected.

**Small Business Effect:** Minimal.

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Analysis

**Current Law:** The types of property that are exempt from local taxation are enumerated in statute. The following provides a summary of current property tax exemptions for a person who owns an interest in property owned by a governmental entity.

An interest of a person in personal property of the federal or State government is not subject to property tax if the person holds an interest in the property under a contract with the federal or State government for (1) manufacturing, constructing, or assembling equipment, supplies, or component parts for national defense purposes or (2) research or development for national defense purposes.

An interest in real or personal property of the federal or State government is not subject to property tax if that property is (1) situated on land that is owned by the federal government and located within the boundaries of a military installation and (2) used for national defense purposes or to house military personnel and their families.

An interest of a person in property of the federal government, the State, a county, or a municipality is not subject to property tax, if the property is used for a concession that (1) is located in a public airport, park, market, or fairground and (2) is available for use by the general public. This exemption does not apply to specified property owned by the Maryland-National Capital Park and Planning Commission in Prince George's County and the Canal Place Preservation and Development Authority in Allegany County.

An interest of a person in any property of the federal or State government is not subject to property tax, if the government that owns the property makes negotiated payments in lieu of tax payments.

An interest of a person in property in specified port facilities that are owned by the federal government or the State, any of their agencies or instrumentalities, or a county or municipality is not subject to the property tax.

An interest of a person in property in a specified international trade center is not subject to property tax, if the State, or any agency or instrumentality of the State, (1) owns the property and (2) makes negotiated payments in lieu of tax payments.

An interest of a person in personal property in a vending facility operated under the Maryland Vending Program for the Blind is not subject to the property tax.

Property that is leased from the State and used to provide housing to students of public senior higher education institutions is exempt from taxation. The public senior higher education institution is authorized to negotiate a payment in lieu of taxes agreement with the municipality or county in which the specified student housing is located.

Bus passenger shelters constructed by a private entity under an agreement with the State, a local government, or a public senior higher education institution are exempt from taxation.

**Background:** In January 2010, the Maryland Port Administration executed a 50-year lease agreement with Ports America Chesapeake for the 200-acre Seagirt Marine Terminal. In return, Ports America Chesapeake agreed to construct a 50-foot berth for the Port of Baltimore that will accommodate larger vessels and may create new business opportunities. This public-private partnership is expected to produce 5,700 new jobs and generate \$15.7 million per year in new tax revenue. The total investment and revenue to the State may exceed \$1.3 billion over the life of the agreement.

Ports America Chesapeake owns several cranes and other personal property that is currently subject to Baltimore City personal property taxes. The Joint Chairman's Report on the fiscal 2016 budget indicated that the budget committees are concerned that the continued assessment of the personal property tax on privately owned cranes at the Helen Delich Bentley Port of Baltimore may put Maryland at a competitive disadvantage with other ports. The budget committees strongly urge the Maryland Port Administration to convene meetings as soon as possible with the City of Baltimore and the State's public-private partnership to develop a mutually agreeable fiscal policy that advances the economic growth and development of the port.

**Local Fiscal Effect:** Ports America Chesapeake operates the Seagirt Marine Terminal for the State at the Port of Baltimore under a private-public partnership. The fiscal 2015 assessed value of the company's personal property, as certified to Baltimore City, was approximately \$39.7 million. The Baltimore City personal property tax rate is \$5.62 per \$100 of assessment. As a result of the exemption provided by the bill, Baltimore City property tax revenues will decrease by approximately \$2.2 million annually beginning in fiscal 2017.

Local government revenues in other jurisdictions may also decrease to the extent a person holds an interest in property that is located on government-owned property that is used for a public purpose.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 673 (Senator DeGrange) - Budget and Taxation.

**Information Source(s):** Maryland Association of Counties, Maryland Municipal League, Department of General Services, Department of Natural Resources, State Department of Assessments and Taxation, Department of Legislative Services

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Analysis by: Michael Sanelli

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510