

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 296 (Senators King and Feldman)
 Budget and Taxation

Property Tax - Exemptions - Nonprofit Charitable Museums

This bill expands a property tax exemption for real property owned by a nonprofit charitable museum by repealing an existing limitation that prohibits the organization from receiving a tax exemption on more than 100 acres of real property. Under the bill, the nonprofit charitable museum must be open to the public and not charge an admission fee. **The bill takes effect June 1, 2019, and applies to taxable years beginning after June 30, 2019.**

Fiscal Summary

State Effect: Annuity Bond Fund revenues decrease by \$34,800 annually beginning in FY 2020. State expenditures are not affected.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
SF Revenue	(\$34,800)	(\$34,800)	(\$34,800)	(\$34,800)	(\$34,800)
Expenditure	0	0	0	0	0
Net Effect	(\$34,800)	(\$34,800)	(\$34,800)	(\$34,800)	(\$34,800)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Montgomery County revenues decrease by approximately \$308,700 annually beginning in FY 2020. County expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: Property is not subject to taxation if the property is necessary for and actually used exclusively for a charitable or educational purpose to promote the general

welfare of the people of the State, including an activity or an athletic program of an educational institution; and is owned by (1) a nonprofit hospital; (2) a nonprofit charitable, fraternal, educational, or literary organization including a public library and a men's or women's club that is a nonpolitical and nonstock club; (3) a corporation, limited liability company, or trustee that holds the property for the sole benefit of an organization that qualifies for an exemption; or (4) a nonprofit housing corporation. The exemption includes any personal property initially leased by a nonprofit hospital for more than one year under a lease that is noncancellable except for cause.

Except for a nonprofit hospital, not more than 100 acres of real property owned by an exempt organization and appurtenant to the premises of the exempt organization is exempt from property tax, if the property is located outside of a municipality or Baltimore City. Not more than 100 acres of real property of a nonprofit hospital that is appurtenant to the hospital is exempt from property tax.

Background: Generally, State 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. The State Department of Assessments and Taxation is responsible for determining exemptions that are specified by law. The department is required to assess all exempt real property, except property owned by the federal government. **Exhibit 1** provides a general description of the various classes of exempt property. A comprehensive overview on exempt property in Maryland can be found in Chapter 3 of the [*Guide to the Property Tax Structure in Maryland*](#).

Exhibit 1
General Tax Exempt Property Categories in Maryland

Category	Definition
Religious	Religious groups may receive an exemption for properties used exclusively for public religious worship, a parsonage or convent, or educational purposes. The law does not extend this type of exemption to properties owned by religious groups that are used as a caretaker's residence, a residence for a minister of music, or a residence for an administrator or other employee.
Charitable	These groups must demonstrate that the use of the property serves the traditional objects of charity and not just merely providing a service to a particular segment of the community. Moreover, nonprofit use is not the equivalent of charitable.
Fraternal, Sororal	These organizations are generally limited to receiving an exemption on property used as a meeting location.
Educational	These groups must show that the property's use adds to the systematic dissemination of education or knowledge to the general public of Maryland. Hobby support organizations do not meet the tests for receiving this type of exemption.
Blind Persons	Those persons with a central visual acuity of 20/200 or less in the better eye may receive, with a doctor's certification, an exemption of \$15,000 of assessment reduction on the dwelling house and surrounding yard. Legally blind persons may apply at any time and need not meet the general September 1 filing deadline.
Disabled Veterans and Surviving Spouses	Armed Services veterans with a permanent service connected disability rated 100% by the Veterans Administration may receive a complete exemption from real property taxes on the dwelling house and surrounding yard. These veterans also may apply at any time and do not have to meet the September 1 filing deadline. Unremarried surviving spouses also may apply for this exemption. Surviving spouses of military personnel killed in the line of duty may apply for an exemption.
Other Exemptions	There are other special tax exemptions granted to government owned properties, cemeteries, community water systems, fire companies and rescue squads, historical societies, housing authorities, environmental conservation groups, and certain specifically named organizations.

Source: State Department of Assessments and Taxation

State Fiscal Effect: Montgomery County indicates that the Glenstone Museum in Potomac owns 43 parcels, of which 36 are taxable. The real property tax assessment for the taxable parcels is approximately \$31.1 million. Based on the State real property tax rate of \$0.112 per \$100 of assessment, Annuity Bond Fund revenues will decrease by \$34,800 annually beginning in fiscal 2020 as a result of extending the current tax exemption to the museum's taxable parcels.

Debt service payments on the State's general obligation bonds are paid from the Annuity Bond Fund. Revenue sources for the fund include State property taxes; premium from bond sales; and repayments from certain State agencies, subdivisions, and private organizations. General funds may be appropriated directly to the Annuity Bond Fund to make up any differences between the debt service payments and funds available from property taxes and other sources. The fiscal 2020 State budget includes \$1.3 billion for general obligation debt service costs, including \$287.0 million in general funds, \$1.0 billion in special funds from the Annuity Bond Fund, \$6.9 million in transfer tax revenues, and \$11.5 million in federal funds.

Local Fiscal Effect: Based on current assessment data and the county's real property tax rate of \$0.993 per 100 of assessment, extending the current tax exemption to the museum's taxable parcels will reduce Montgomery County property tax revenues by approximately \$308,700 annually beginning in fiscal 2020.

Additional Information

Prior Introductions: None.

Cross File: HB 432 (Delegate Dumais, *et al.*) - Ways and Means.

Information Source(s): Montgomery County; 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