Department of Legislative Services

Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

Senate Bill 913 (Washington County Senators)
Budget and Taxation

Washington County - Tax Increment Financing - Application of Bond Proceeds

This bill expands the eligible uses of proceeds from bonds issued for tax increment financing (TIF) projects in Washington County. Additional eligible uses include (1) demolition or site removal, including on property that is privately owned and intended to remain privately owned; (2) pedestrian or vehicular bridges or overpasses, including railroad crossings and related improvements; or (3) parking lots, facilities, or structures of any type, whether publicly or privately owned; or available for public or private use.

Fiscal Summary

State Effect: None.

Local Effect: None. The bill does not alter the amount of bonds that may be issued for TIF projects, but does provide Washington County more uses for bond proceeds.

Small Business Effect: None.

Analysis

Current Law: All counties and municipalities are authorized to utilize tax increment financing under Title 12, Subtitle 2 of the Economic Development Article (the Tax Increment Financing Act). In Baltimore City, the authority to use tax increment financing is provided in the city charter. Under the Act, counties and municipalities may issue bonds to finance the development of an industrial, commercial, or residential area. Generally, the bond proceeds may only be used (1) to buy, lease, condemn, or otherwise acquire property, or an interest in property in the development district, a RISE zone, or a sustainable community; or needed for a right-of-way or other easement to or from the development district, a RISE zone, or a sustainable community; (2) for site removal; (3) for surveys and studies; (4) to relocate businesses or residents; (5) to install utilities, construct parks and playgrounds, and for other needed improvements including roads to, from, or in the development district; parking; and lighting; (6) to construct or rehabilitate buildings for a governmental purpose or use; (7) for reserves or capitalized interest; (8) for necessary costs to issue bonds; and (9) to pay the principal of and interest on loans, advances, or indebtedness that a political subdivision incurs for a specified purpose.

Bonds issued for use in a sustainable community or a RISE zone have different use criteria.

Background: Tax increment financing is a public financing method that uses future gains in tax revenues to finance current improvements. The increase in the property tax revenue generated by new commercial development in a specific area, the TIF district, pays for bonds issued to finance site improvements, infrastructure, and other project costs located on public property. In a TIF district, the local government "freezes" the existing property tax base and uses the property tax revenue from this base as it would normally use such funds. The difference between the current tax base and the frozen base in each future year is termed the incremental valuation. The local government apportions the property tax revenue on the incremental valuation to a special account for certain purposes including to pay debt service on the bonds and to potentially pay for additional public expenditures in the TIF district. The TIF district ceases to exist upon the retirement of the bonds, and after that time, all property tax revenue may be appropriated by normal means.

Local Fiscal Effect: Washington County reports that the county has not issued TIF bonds to date, but the county indicates that expanding the uses of TIF bond proceeds for different types of infrastructure improvements may provide the county more flexibility in attracting new businesses in the future.

Additional Information

Prior Introductions: None.

Cross File: HB 1162 (Washington County Delegation) - Rules and Executive Nominations.

Information Source(s): Washington County, Department of Legislative Services

Fiscal Note History: First Reader - March 20, 2015
md/hlb

Analysis by: Michael Sanelli

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