House Bill 259

Personal Property Tax – Maximum Rate – Small Business

MACo Position: **OPPOSE**

Date: February 18, 2015

To: Ways and Means Committee

From: Andrea Mansfield

The Maryland Association of Counties (MACo) **OPPOSES** HB 259. This bill would mandate a five year cap on the county personal property tax rate imposed on many small businesses. This cap would apply to small businesses with revenue of less than $100,000 that organize or relocate in the State during the current tax year.

MACo has supported legislation in the past to provide broad authority to enact property tax incentives for economic development purposes and recognizes the value in doing so. However, HB 259 would limit county taxing authority affecting county revenues and arbitrarily set a tax rate that would apply only to certain types of businesses. It is also not certain that HB 259 would be limited to bona fide new businesses, meaning this large incentive may spur new tax-avoidance techniques without furthering any growth-related policy aims.

The total assessed value of personal property is $23.2 billion, which generates $585 million in county revenues. While it's difficult to determine the revenue loss associated with HB 259, State fiscal constraints and economic realities make it difficult for counties to absorb additional losses, especially while counties face increasing pressure to satisfy State-mandated education funding requirements.. MACo would prefer approaches that give counties flexibility in setting tax rates and managing their bottom line.

Two years ago, one of MACo's legislative initiatives was to decouple the personal property tax rate from the real property tax rate allowing counties to incentivize business investment using a deliberate approach rather than one that is lock-step with the more general real property tax rate. Up until this time, the personal property tax rate was required to be 2.5 times the real property tax rate.

MACo believes this approach, and others like it, give counties flexibility in setting their rates to better tailor economic development strategies to attract businesses and provide funding for needed services, instead of setting an arbitrary mandate that would apply to a limited number of businesses.

For this reason, MACo would urge the Committee to give HB 259 an **UNFAVORABLE** report.