House Bill 480

Small Business Personal Property Tax Relief Act of 2015

MACo Position: **OPPOSE**
Date: February 27, 2015

To: Ways and Means Committee
From: Andrea Mansfield

The Maryland Association of Counties (MACo) **OPPOSES** HB 480. This bill would mandate local governments to provide a personal property tax exemption for businesses with personal property of a total assessed value of $10,000 or less. The bill would also exempt these businesses from filing a personal property tax report and paying the annual filing fee. Although the bill fully offsets the revenue loss to counties in fiscal 2017, this offset is phased-out over three years; leaving counties to absorb this loss. This bill not only depletes state revenues, but also reduces county personal property taxes – without any local action or input. Counties believe that incentives and reductions in local tax rates or bases should be a local decision, and MACo resists proposals that automatically effect such changes across each county.

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, it would prefer approaches that provided local autonomy to determine the best way to provide these incentives, rather than those that mandate reductions in local revenue sources.

The attached statement further explains MACo's position on these and other similar proposals and its preference that State proposals affecting local revenue sources be enacted as a "local option." This approach would give counties maximum flexibility to achieve local goals.

The total assessed value of personal property is $23.2 billion, which generates $585 million in county revenues. While the State would fully reimburse local governments for the revenue loss of $7.4 million associated with HB 480 in FY 2017, this reimbursement is phased-out and local governments must absorb this loss beginning in FY 2020. 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

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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.

Counties welcome the chance to work with state policymakers to develop flexible and optional tools to create broad or targeted tax incentives, but resist state-mandated changes that preclude local input. For these reasons, MACo would urge the Committee to give HB 480 an **UNFAVORABLE** report.