Senate Bill 251

Personal Property Tax – Depreciation of Assessed Value

MACo Position: **OPPOSE**

Date: February 13, 2013

To: Budget and Taxation Committee

From: Andrea Mansfield

The Maryland Association of Counties (MACo) **OPPOSES** SB 251. Unless otherwise specified by the State Department of Assessments and Taxation, this bill would establish a 10-year depreciation schedule for personal property. The personal property would depreciate at 10 percent per year until the property has an assessed value of $0 in the eleventh year.

MACo is concerned that SB 251 is proposing changes to the depreciation schedule for personal property without sufficient justification. Under current statute and regulations, personal property depreciates over an 8 year cycle. Following the 8^{th} year, the property remains at 25% of value and is assessed on this percentage of value until the property is no longer in use. Many classes of personal property have a life span of much greater than 8 years. According to the bill's fiscal note, $2.5 billion of the personal property base is for property that is at least 8 years old, and 75% of that amount, or $1.9 billion, is property that is 10 years old or older. Therefore, a depreciation schedule that reflects a percentage of value over the longer term is appropriate.

Further, a change in the depreciation schedule such as the one proposed by SB 251 would have a significant fiscal effect on local governments. The bill's fiscal note indicates a revenue loss of $48.9 million.

Counties have faced economy-driven fiscal challenges in recent years, with county revenue woes expected to continue as property assessments remain in decline. Reductions in State aid, cost shifts, and other funding mandates have placed additional burdens on counties. Additional reductions of this magnitude would substantially affect the counties' ability to manage their budgets to provide needed services.

For these reasons, MACo urges the Committee to give SB 251 and **UNFAVORABLE** report.

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