



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

September 7, 2022

FISCAL AND POLICY NOTE

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin
Director of Budget and Policy Analysis

FROM: Malcolm Moody - *MM*
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CB-070-2022 Start-Up Personal Property Tax Credit

CB-070-2022 (*Proposed and Sponsored by: Councilmembers Franklin, Hawkins, Harrison, Burroughs, Glaros, Ivey, Medlock, Streeter, and Taveras*)

Assigned to the Government Operations and Fiscal Policy (GOFP) Committee

AN ACT CONCERNING PRINCE GEORGE'S COUNTY BUSINESS START-UP PERSONAL PROPERTY TAX CREDIT for the purpose of establishing a Prince George's County Business Start-up Personal Property Tax Credit to stimulate growth of county-based start-up companies owned by county residents.

Fiscal Summary

Direct Impact

Expenditures: Negligible additional expenditures may be required, in the form of increased administrative costs

Revenue: Reduced revenue, in the form of foregone personal property tax collections.

Indirect Impact

Potentially positive.

Legislative Summary

CB-070-2022, proposed and sponsored by Council Members Hawkins, Harrison, Franklin, Burroughs, Glaros, Ivey, Medlock, Streeter, and Taveras, was presented on May 3, 2022, and was referred to the Government Operations and Fiscal Policy (GOFP) Committee. The Bill would allow County-based start-up companies to claim a personal property tax credit based on the qualifying criteria outlined in the legislation.

Background/Current Law

In Maryland, there is a tax on business-owned personal property that is imposed and collected by local governments. Personal property generally includes business property including furniture, fixtures, office and industrial equipment, machinery, tools, supplies, inventory, and any other property not classified as real property. The property is assessed by the State Department of Assessments and Taxation and imposed and collected by each county or municipal government.

Authority:

Section 9-257¹ of the Tax-Property Article of Annotated Code of Maryland authorizes the County to grant, by law, a property tax credit under this section against the county property tax imposed on the dwelling of an eligible individual. Under §9-257(a)(1)(2), “Personal Property” is defined as follows:

- (i) not operating property of a railroad or public utility; and
- (ii) owned or leased by a business entity that:
 - a. has been in operation for no more than 2 years; or
 - b. has no more than 15 employees

The State law further provides that the credit *may not exceed 50%* of the county or municipal corporation property tax on the personal property and may be granted for a period of *up to five (5) years*. In addition, under § 9-257(b), the County may provide, by law, for:

- (1) the amount and duration of the tax credit under this section;
 - (2) additional eligibility criteria for the tax credit under this section;
 - (3) regulations and procedures for the application and uniform processing of requests for the tax credit; and
 - (4) any other provision necessary to carry out the tax credit under this section.
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¹ [Annotated Code of Maryland - § 9-257. New or small business](#)

Resource Personnel

- Brendon Laster, Chief of Staff, At-Large Council Member Franklin
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Discussion/Policy Analysis

The proposed Bill adds § 10-338 to Subtitle 10. FINANCE AND TAXATION² of the County Code, which would allow Locally Owned and Operated Businesses³ owned by one or more County residents⁴ to utilize a Business Start-up Personal Property Tax Credit. The personal property tax credit would be set at 50% of the county property tax for eligible businesses. The businesses need to have been in operation for 24 months or less, has 15 employees or less, and the property of the business must not be the operating property of a railroad or public utility. Eligible businesses will be able to apply for the personal property tax credit annually and can receive the tax credit for the first sixty (60) months after the business begins operations⁵.

As the Bill is drafted, it is unclear whether the eligibility standards, particularly those related to the number of employees and the length of time in operation, apply only to the initial application, or must be met each year. Because the term during which the credit may be claimed is the first sixty (60) months after the business begins operations, it seems clear that the intent is for the requirements to apply at the time of the initial application.

Fiscal Impact:

- *Direct Impact*

Enactment of CB-070-2022 will likely have an adverse fiscal impact in the form of reduced tax revenues. The amount of the decrease in tax revenues will depend on the number of businesses that are eligible for the personal property tax credit and the value of the personal property. For reference, according to the FY 2023 Proposed Budget, FY 2023 Personal Property Tax revenue is expected to be \$81,215,000. It is anticipated that a relatively small percentage of businesses, accounting for an even smaller percentage of revenues, would be eligible. For example, if 3% of the total revenue is attributable to eligible businesses, the cost of the credit would be approximately \$1.2 million.

² [Prince George's County Code](#)

³ Defined as a business whose headquarters and principal place of business is within Prince George's County and has more than 50% ownership by one or more county residents.

⁴ Defined as a citizen or legal resident whose primary residence and domicile is within Prince George's County, MD.

⁵ If the business complies with the requirements outlined in the Bill.

- *Indirect Impact*

Enactment of CB-070-2022 may result in a favorable indirect fiscal impact, to the extent that the credit incentivizes the establishment or location of businesses in the County or otherwise enhances their viability in the early stages of their existence.

- *Appropriated in the Current Fiscal Year Budget*

No

Effective Date of Proposed Legislation:

The Act shall take effect forty-five (45) days after it becomes law.

If you require additional information, or have questions about this fiscal impact statement, please reach out to me via phone or email.