

## *Enterprise Zone Property Credit*

One of the incentives offered by the State of Maryland to encourage new industry to locate in a designated Enterprise Zone or have existing industry expand there is a real property tax credit. The property tax credit is an actual reduction in the amount of taxes which would have been due on the increased value or assessment of property where capital investments have been made or where new employees have been hired. Generally, the amount of this special tax credit shall be 80 percent of the "eligible assessment" in each of the first 5 taxable years; 70 percent in the 6th taxable year; 60 percent in the 7th taxable year; 50 percent in the 8th taxable year; 40 percent in the 9th taxable year; and 30 percent in the 10th taxable year following the calendar year in which the property first becomes a "qualified" property. This property tax credit is administered jointly by the local Enterprise Zone administrator and the Maryland Department of Assessments and Taxation. The Department of Economic and Community Development markets the various Enterprise Zone incentives to businesses in Maryland and other states.

At the present time, 11 Enterprise Zones are located throughout the State. The Zones are found in the following areas: (1) Cumberland-Allegany County; (2) Frostburg-Allegany County; (3) Park Circle-Baltimore City; (4) West Baltimore-Baltimore City; (5) Waterview-Baltimore City; (6) Calvert County Industrial Park; (7) Town of Accident-Garrett County; (8) Hagerstown-Washington County; (9) Washington County Airport; (10) Capitol Heights-Prince George's County; and (11) Salisbury-Wicomico County.

The State of Maryland reimburses the City/County and municipal governments one-half of the local taxes which would have been collected on the new capital improvements without the credit. For the 1986-87 tax year, the reimbursement to local jurisdictions will be approximately \$176,000.

## *Real Property Tax Exemptions*

The Department of Assessments and Taxation has the responsibility for ruling on all requests for exemption from real property taxation. It also assesses the exempt properties for purposes of the various State aid formulas.

There are two fundamental legal tests which must be satisfied by every real property tax exemption applicant. First, the property must be *owned* by one of the statutorily listed types of organizations or individuals. Second, the property must be *used* "exclusively for" the exempt purposes and that use must be "actual" or "immediate." A 1986 Court of Appeals decision in *Supervisor v. Group Health Association, Inc.* (No. 99, Sept. Term, 1985) affirmed the Department's position that it is not enough for an organization to be nonprofit but it must also be serving the general public of the State of Maryland.

Titles 7-201 to 7-218 of the Tax-Property Article (1986) enumerates those categories of properties exempted from real property taxation. Generally, the legislature has exempted certain categories of property because their use either furthers specific public policies or relieves government of certain obligations it otherwise would have to undertake. The categories of property exempted include: (1) public property owned by the United States, the State of Maryland, the counties or municipalities and which is used for governmental purposes; (2) property used "exclusively for public religious worship, including parsonages and convents"; (3) nonprofit cemeteries; (4) property "actually used exclusively for and necessary for charitable, benevolent, or educational purposes"; (5) property owned by veterans' organizations; (6) the dwelling houses of one-hundred percent disabled veterans; (7) the dwelling houses of blind persons up to \$6,000 of assessment; (8) property of the Boy Scouts or Girl Scouts; (9) the property of fire companies and rescue squads;