

## **Brownfield Property Tax Credit**

### **Program Purpose and Description**

This program was designed to encourage the re-development of contaminated abandoned and/or under-utilized industrial/commercial sites. This program offers a city property tax credit (for both real and personal property taxes) on the increased property taxes after eligible improvements\* are made (improved value).

This credit applies in each of the taxable years immediately following the first reassessment of the site after completion of the eligible improvements. The credit equals 50% of the site's increased property assessment after improvements are completed over the assessment before the improvements, except for projects that spend more than \$250,000 in eligible work,<sup>1</sup> in which case it is 70%. In the event of a change in ownership of the property, the credit is transferable as long as the property remains qualified for the credit.

**Please Note:** For sites located in State-designated Enterprise Zone areas, the credit is for a 10-year period with the Enterprise Zone credit calculated first and the Brownfield Credit only applicable to the improved value not covered by the Enterprise Zone credit (for example, in the first five years, the Brownfield Credit only applies to 20% of the improved value as 80% is applied to the Enterprise Zone credit). For all other sites outside of an Enterprise Zone, the credit is for a 5-year period.

### **Eligibility:**

- The site must be in the Maryland Voluntary Cleanup Program (VCP) or the Maryland Oil Control Program and there must be a letter from the Maryland Department of the Environment indicating no further action is needed;
- The site must be designated as a "Qualified Brownfields Site" by the Maryland Department of Business and Economic Development. Note that site owners who do not meet Maryland's definition of an "Inculpable Person" are not eligible.

### **Termination**

If the credit recipient withdraws from the voluntary cleanup program or the Department of the Environment withdraws approval of a response action plan or a certificate of completion, the tax credit granted will be terminated.

### **Legal Reference**

- State enabling legislation - Annotated Code of Maryland, Tax Property Article, Section 9-229 (Chapters 1 and 2, 1997 Session).
- Baltimore City Code, Article 28-Taxes, Section 10-10 (Ordinance No. 98-248, effective April 16, 1998).

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<sup>1</sup> Eligibility for the 70% credit is dependent on an investment of at least \$250,000 in the site's purchase and voluntary cleanup or corrective action plan.

**Examples:**

<b>Less than \$250,000 in Improvements and Not within State-Designated Enterprise Zone</b>						
	Assessment Before Improvement	Assessment After Improvement	Improvement Value	Amount Eligible for Credit	City Tax Rate *	Credit Amount
Column	(1)	(2)	(3)	(4)	(5)	(6)
Calculation			(2) - (1)	(3) * 50%		(4) * (5)
Year 1	\$500,000	\$650,000	\$150,000	\$75,000	2.268	\$1,701.00
Year 2	\$500,000	\$650,000	\$150,000	\$75,000	2.268	\$1,701.00
Year 3	\$500,000	\$650,000	\$150,000	\$75,000	2.268	\$1,701.00
Year 4	\$500,000	\$650,000	\$150,000	\$75,000	2.268	\$1,701.00
Year 5	\$500,000	\$650,000	\$150,000	\$75,000	2.268	\$1,701.00

\* Assumes no tax rate change during the five year credit period.

<b>Greater than \$250,000 in Improvements Within a State-Designated Enterprise Zone, Not Focus Zone</b>									
	Assessment Before Improvement	Assessment After Improvement	Improvement Value	EZ Credit % Calculated First	Amount Eligible for EZ Credit	City Tax Rate *	Credit Amount for EZ	Amount Eligible for Brownfield Credit	Credit Amount for Brownfield Credit
Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Calculation			(2) - (1)		(3) * (4)		(5) * (6)	((3) - (5)) * 70%	(8) * (6)
Year 1	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.268	\$5,443.20	\$42,000	\$952.56
Year 2	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.268	\$5,443.20	\$42,000	\$952.56
Year 3	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.268	\$5,443.20	\$42,000	\$952.56
Year 4	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.268	\$5,443.20	\$42,000	\$952.56
Year 5	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.268	\$5,443.20	\$42,000	\$952.56
Year 6	\$500,000	\$800,000	\$300,000	70%	\$210,000	2.268	\$4,762.80	\$63,000	\$1,428.84
Year 7	\$500,000	\$800,000	\$300,000	60%	\$180,000	2.268	\$4,082.40	\$84,000	\$1,905.12
Year 8	\$500,000	\$800,000	\$300,000	50%	\$150,000	2.268	\$3,402.00	\$105,000	\$2,381.40
Year 9	\$500,000	\$800,000	\$300,000	40%	\$120,000	2.268	\$2,721.60	\$126,000	\$2,857.68
Year 10	\$500,000	\$800,000	\$300,000	30%	\$90,000	2.268	\$2,041.20	\$147,000	\$3,333.96

\* Assumes no tax rate change during the five year credit period.

**Greater than \$250,000 in Improvements Within a State-Designated Enterprise Zone AND Focus Zone**

	Assessment Before Improvement	Assessment After Improvement	Improvement Value	Enterprise Zone Credit % Calculated First	Amount Eligible for EZ Credit	City Tax Rate *	Credit Amount for EZ	Amount Eligible for Brownfield Credit	Credit Amount for Brownfield Credit
Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Calculation			(2) - (1)		(3) * (4)		(5) * (6)	((3) - (5)) * 70%	(8) * (6)
Year 1	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.268	\$5,443.20	\$ 42,000	\$ 952.56
Year 2	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.268	\$5,443.20	\$ 42,000	\$ 952.56
Year 3	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.268	\$5,443.20	\$ 42,000	\$ 952.56
Year 4	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.268	\$5,443.20	\$ 42,000	\$ 952.56
Year 5	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.268	\$5,443.20	\$ 42,000	\$ 952.56
Year 6	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.268	\$5,443.20	\$ 42,000	\$ 952.56
Year 7	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.268	\$5,443.20	\$ 42,000	\$ 952.56
Year 8	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.268	\$5,443.20	\$ 42,000	\$ 952.56
Year 9	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.268	\$5,443.20	\$ 42,000	\$ 952.56
Year 10	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.268	\$5,443.20	\$ 42,000	\$ 952.56

\* Assumes no tax rate change during the five year credit period.