HOUSE BILL 168

Q1 5lr1499
HB 1018/24 – W&M (PRE–FILED)

By: **Delegate Qi**
Requested: October 30, 2024
Introduced and read first time: January 8, 2025
Assigned to: Ways and Means

A BILL ENTITLED

AN ACT concerning

Manufacturing Business Personal Property Tax – Exemption

FOR the purpose of exempting all personal property in the possession of a person engaged in a manufacturing business that is a small or medium–sized enterprise from the personal property tax; and generally relating to the personal property tax.

BY repealing and reenacting, without amendments,
Article – Tax – Property
Section 1–101(a), (r), and (dd)
Annotated Code of Maryland
(2019 Replacement Volume and 2024 Supplement)

BY repealing and reenacting, with amendments,
Article – Tax – Property
Section 6–104, 7–109(a), 7–222, 7–225, and 7–508
Annotated Code of Maryland
(2019 Replacement Volume and 2024 Supplement)

BY adding to
Article – Tax – Property
Section 7–225.1
Annotated Code of Maryland
(2019 Replacement Volume and 2024 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article – Tax – Property

1–101.

EXPLANATION: **CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.**
[Brackets**]** indicate matter deleted from existing law.

(a) In this article the following words have the meanings indicated.

(r) (1) "Manufacturing" means the process of substantially transforming, or a substantial step in the process of substantially transforming, tangible personal property into a new and different article of tangible personal property by use of labor or machinery.

(2) "Manufacturing" includes:

(i) the operation of sawmills, grain mills, or feed mills;

(ii) the operation of machinery and equipment used to extract and process minerals, metals, or earthen materials or by–products that result from the extracting or processing;

(iii) research and development activities, whether or not the company has a product for sale;

(iv) the identification, design, or genetic engineering of biological materials for research or manufacture; and

(v) the design, development, or creation of computer software for sale, lease, or license.

(3) "Manufacturing" does not include:

(i) activities that are primarily a service;

(ii) activities that are intellectual, artistic, or clerical in nature;

(iii) public utility services, including telephone, gas, electric, water, and steam production services; or

(iv) any other activity that would not commonly be considered as manufacturing.

(dd) "Property tax" means the property tax imposed by:

(1) the State;

(2) a county; or

(3) a municipal corporation.

6–104.

Except as otherwise provided in §§ 7–222**, 7–225.1,** and 7–226 of this article, any stock in business of a person who engages in a manufacturing or commercial business in the State is subject to property tax.

7–109.

(a) [The] **EXCEPT AS PROVIDED IN § 7–225.1 OF THIS TITLE,** personal property described in §§ 7–222, 7–225, and 7–226 of this title is subject to the municipal corporation property tax unless exempted in full or in part by the governing body of the municipal corporation by law.

7–222.

(a) Except as provided in § 7–109 of this title and in subsection (b) of this section, the stock in business of a person engaged in a manufacturing or commercial business is not subject to property tax.

(b) Except as provided by § 7–108 of this title **AND § 7–225.1 OF THIS SUBTITLE**, the personal property described in subsection (a) of this section is subject to a county property tax on 35% of its assessment in Wicomico County.

7–225.

(a) Except as provided in § 7–109 of this title and in subsection (b) of this section, if used in manufacturing, the following personal property, however operated and whether or not in use, is not subject to property tax:

(1) tools;

(2) implements;

(3) machinery; or

(4) manufacturing apparatus or engines.

(b) Except as provided by § 7–108 of this title **AND § 7–225.1 OF THIS SUBTITLE**, the personal property listed in subsection (a) of this section is subject to a county property tax on:

(1) 100% of its assessment in Garrett County, Somerset County, Wicomico County, and Worcester County; and

(2) 75% of its assessment in Allegany County.

(c) Property does not qualify for the exemption under this section if the property is used primarily in administration, management, sales, storage, shipping, receiving, or any other nonmanufacturing activity.

(d) In order to qualify for the exemption under this section, a person claiming the exemption must apply for and be granted the exemption by the Department.

7–225.1.

ALL PERSONAL PROPERTY, INCLUDING MANUFACTURING INVENTORY, IN THE POSSESSION OF A PERSON ENGAGED IN A MANUFACTURING BUSINESS THAT IS A SMALL OR MEDIUM–SIZED ENTERPRISE IS EXEMPT FROM PROPERTY TAX, INCLUDING ANY SPECIAL TAXING DISTRICT PROPERTY TAX.

7–508.

(a) In this section, "manufacturer" means a person who engages in at least 2 of the following processes:

(1) applies labor, skill, art, or science to materials;

(2) makes changes or modifications in existing material by processes usually considered as manufacturing;

(3) develops new forms, qualities, properties, or combinations of materials, or adapts materials to certain uses; or

(4) produces from materials a different kind of material with a new use.

(b) **[**The**]** **SUBJECT TO § 7–225.1 OF THIS TITLE, THE** governing body of Washington County may exempt the raw materials used in a manufacturing process and manufactured products in the possession of a manufacturer from the Washington County property tax.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June 1, 2025, and shall be applicable to all taxable years beginning after June 30, 2025.