

# LONG BRANCH - TAKOMA PARK ENTERPRISE ZONE FOCUS AREA Personal Property Tax Credits

Montgomery County - Focus Area: 1.698 rate

Jan 1-'04 Deprec. Value Per. Ppty	Per Ppty Taxes Due (100/ x1.698)	+ New '04 Invstmt.	Less 10% Deprec. in '04	Addl. '05 Pers. Ppty Taxes (100x1.698)	-80% Tax Credit Credit	Addtl. Taxes After 1.698)	Jan '04 base Less 10% Deprectn 100x Due	'05 Total Taxes
\$ 30,000	\$ 509.40	\$20,000	\$18,000	\$ 305.64	\$244.51	\$ 61.13	\$ 27,000/100x 1.698=\$458.45	\$ 519.59
\$ 50,000	\$ 849.00	\$40,000	\$36,000	\$ 611.28	\$489.02	\$122.25	\$ 45,000/100x 1.698=\$764.10	\$ 886.35
\$100,000	\$1698.00	\$50,000	\$45,000	\$ 764.10	\$611.28	\$152.82	\$ 90,000/100x 1.698=\$1528.20	\$1681.02
\$150,000	\$2547.00	\$75,000	\$67,500	\$1146.15	\$916.92	\$229.23	\$135,000/100x 1.698=\$2292.30	\$2521.53

**SAMPLE WORKSHEET** (plug in your numbers)

Jan 1st Deprec. Value Per. Ppty	Per. Ppty Taxes (/100 x tax rate)	+ New '04 Invstmt.	Less 10% Deprectn in '04	Per Ppty. Taxes (/100x tax rate)	-80% Tax Credit	Addtl. '05 Taxes After Credit	Jan '04 base Less 10% Deprectn/100x x tax rate	'05 Total Taxes Due

### WHAT IS THE PERSONAL PROPERTY TAX CREDIT?

The Enterprise Zone Personal Property Tax Credit is an incentive for businesses within a Focus Area to upgrade their equipment. For either a new or expanding business which meets the eligibility requirements, the amount of the credit is 80% of the local (County) personal property taxes due on new investment in personal property each year. Personal property includes furniture, fixtures, office and industrial equipment, tools, machinery, supplies, inventory, and equipment NOT used in manufacturing or research and development (except in the City of Takoma Park where equipment used in manufacturing and R&D is included).

Montgomery County's personal property rate is 1.698 (\$1.698 per \$100 of personal property), while in Takoma Park the rate is \$1.575 per \$100 of personal property. Takoma Park businesses in the Long Branch Focus Area of the Long Branch-Takoma Park Enterprise Zone pay a personal property tax *combined* rate of \$3.253 per \$100.

The Maryland Department of Assessments and Taxation (DAT) taxes business-owned personal property annually based on its value on January 1<sup>st</sup>, the "date of finality". DAT mails businesses a personal property tax return that must be filed by April 15<sup>th</sup>. All corporations, LLC's, LLP's, Limited Partnerships, REIT's, and business trusts must file personal property returns.



For more information contact:  
**Melanie Isis, Business Development Specialist**  
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 240-777-3641



whether they own property or not. Sole Proprietorships and general partnerships must file a return AT3-51 only if they own, lease, rent, use or borrow business personal property or need a business license. For sole proprietorships and general partnerships, if the total cost of all property including inventory and excluding licensed vehicles is less than \$10,000, the property is exempt. Most types of companies—stock corporations, LLCs, LLPs, LPs, and REITs—are required to pay an annual \$300 fee for the privilege of maintaining their legal entity’s existence in the State, due and payable with the filing of the personal property return. The tax is collected by Montgomery County. The tax credit is given for the tax year beginning July 1<sup>st</sup>. **Businesses that plan to apply for the personal property tax credit must be certified and approved as eligible by December 31<sup>st</sup>** of the previous year.

**HOW DO I CALCULATE THE CREDIT? TWO EXAMPLES**

**1) Montgomery County-Long Branch Focus Area**

Flower Hardware is located on Flower Avenue in the focus area of Montgomery County’s Long Branch-Takoma Park Enterprise Zone. As of January 1, 2004, Flower Hardware’s depreciated personal property was valued at \$30,000. The formula for computing the “previous assessment” of personal property taxes is: **2004 Value of Depreciated Personal Property/100xTax Rate:**

$$\frac{\$30,000}{100} \times 1.698 = \$509.40$$

In February 2004, the hardware store purchased new equipment and tools worth \$20,000. The additional taxes owed on this “eligible assessment” will occur in 2005 based on the January 1, 2005 personal property report: \$20,000 minus 10% depreciation for 2005 = \$18,000/100 x 1.698 = \$305.64; \$305.64 minus 80% credit: .8 x \$305.64 = **\$244.51 credit**; \$305.64 - \$244.51 = **\$61.13 taxes due.**

The **previous personal property value depreciated during 2004** and will be **valued in January 2005** as: \$30,000 - 10% depreciation {for example only} = \$27,000/100 x 1.698 = **\$458.46**

**Total July 2005 taxes due: \$458.46 + \$61.13 = \$519.59**

**2) Takoma Park-Long Branch Focus Area**

Flower Restaurant is located in the Takoma Park corner of the Long Branch Focus Area of the Long Branch-Takoma Park Enterprise Zone. Flower’s depreciated personal property was valued at \$50,000 in January 2004. Taxes owed in July 2005 are: **Value of Depreciated Personal Property/100xTax Rate:**

$$\frac{\$50,000}{100} \times 3.253 = \$1,626.50$$

Flower purchased \$50,000 of new kitchen equipment in March 2005, resulting in additional taxes in July 2006 on the new “eligible assessment”: \$50,000 minus 10% depreciation {for example only} = \$45,000/100 x 3.253 = **\$1,463.85 taxes due** minus an 80% tax credit, \$1463.85 x .8 = **\$1,171.08 credit**, reducing the taxes to, \$1,463.85- \$1,171.08 = **\$292.77 due.**

The “previous assessment” continued to depreciate in 2005: Previous \$50,000 value - 10 % depreciation {for example only}= \$45,000/100 x 3.253 = **\$1,463.85**

**Total July 2006 taxes due: \$1,463.85 + \$292.77 = \$1,756.62**

**HOW CAN A BUSINESS APPLY FOR A PERSONAL PROPERTY TAX CREDIT?**

The business must apply to the local Enterprise Zone Administrator for certification. The local Zone Administrator then notifies the Maryland DAT that the individual business meets all state and local eligibility requirements. In order to receive the tax credit on the next July 1 tax bill, the **business must apply by December 10, 2005** so the local Zone Administrator has time to certify the property’s eligibility before January 1<sup>st</sup>. Contact **Melvin Tull, Enterprise Zone Administrator**, Silver Spring Regional Center, 8435 Georgia Avenue, Silver Spring, MD 20910, 301-565-7366, to apply for eligibility or email him, mel.tull@montgomerycountymd.gov,

**WHEN DOES MY BUSINESS RECEIVE THE TAX CREDIT?**

The Personal Property Tax **Credit is granted** on the tax bill **in July after the first year of eligibility**. The State DAT will automatically calculate the credit and adjust the amount to be paid for the eight years remaining (until 2013) on the Enterprise Zone designation.

**2005 PERSONAL PROPERTY TAX TABLE – EXAMPLES**

*Takoma Park - Focus Area: 1.698 (county rate)+ 1.575 (city rate) =3.253 rate*

Jan 1st Deprec. Value Per.Ppty	/100 x 3.253= Per.Ppty Taxes Due	+ New '04 Invstmt	-10% (estim.) Deprectn durring '04	/100 x 3.253= Per.Ppty Taxes	- 80% credit	'05 Addtl. Taxes after Credit	Jan '04 base Less 10% deprectn/ x 3.253	'05 total taxes due
\$ 30,000	\$ 975.90	\$20,000	\$18,000	\$ 585.54	\$ 468.43	\$117.11	\$ 878.31	\$ 995.42
\$ 50,000	\$1626.50	\$40,000	\$36,000	\$1171.08	\$ 936.86	\$234.22	\$1463.85	\$1698.07
\$100,000	\$3253.00	\$50,000	\$45,000	\$1463.85	\$1171.08	\$292.77	\$2927.70	\$3220.47
\$150,000	\$4879.50	\$75,000	\$67,500	\$2195.78	\$1756.62	\$439.16	\$5391.55	\$4830.71