

# SENATE BILL 488

Q1

5lr2892  
CF HB 168

---

By: **Senator Jennings**

Introduced and read first time: January 22, 2025

Assigned to: Budget and Taxation

---

## A BILL ENTITLED

1 AN ACT concerning

2 **Manufacturing Business Personal Property Tax – Exemption**

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

6 BY repealing and reenacting, without amendments,  
7 Article – Tax – Property  
8 Section 1–101(a), (r), and (dd)  
9 Annotated Code of Maryland  
10 (2019 Replacement Volume and 2024 Supplement)

11 BY repealing and reenacting, with amendments,  
12 Article – Tax – Property  
13 Section 6–104, 7–109(a), 7–222, 7–225, and 7–508  
14 Annotated Code of Maryland  
15 (2019 Replacement Volume and 2024 Supplement)

16 BY adding to  
17 Article – Tax – Property  
18 Section 7–225.1  
19 Annotated Code of Maryland  
20 (2019 Replacement Volume and 2024 Supplement)

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

23 **Article – Tax – Property**

24 1–101.

---

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

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

5 (2) “Manufacturing” includes:

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

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

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

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

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

16 (3) “Manufacturing” does not include:

17 (i) activities that are primarily a service;

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

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

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

23 (dd) “Property tax” means the property tax imposed by:

24 (1) the State;

25 (2) a county; or

26 (3) a municipal corporation.

27 6–104.

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

4 7-109.

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

9 7-222.

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

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

16 7-225.

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

20 (1) tools;

21 (2) implements;

22 (3) machinery; or

23 (4) manufacturing apparatus or engines.

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

27 (1) 100% of its assessment in Garrett County, Somerset County, Wicomico  
28 County, and Worcester County; and

29 (2) 75% of its assessment in Allegany County.

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

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

3 **7-225.1.**

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

8 7-508.

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

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

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

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

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

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

21 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June  
22 1, 2025, and shall be applicable to all taxable years beginning after June 30, 2025.