



# Legislative Summary

O-1-26

## Child Care Centers, Child Care Homes, and Family Child Care Homes Property Tax Credit

The City of Annapolis Office of Law created this summary for the use of Annapolis City Council members during their consideration of the legislation.

**Note: This summary outlines the legislation as introduced and does not address any amendments to the bill.**

### Bill Summary

O-1-26 allows the City to grant property tax credits to certain child care providers. These credits apply to real estate used for state-registered family care homes, large family child care homes, and state-licensed child care centers. The goal is to support child care providers in Annapolis.

### ***Background***

The Maryland General Assembly has permitted local governments in the state to offer property tax credits to child care providers since 1988. However, municipalities are not obligated to participate in this program, and Annapolis has chosen not to provide these tax breaks.

On April 22, 2025, Maryland Governor Moore approved House Bill 389, which expanded the property tax credit that municipalities may offer to certain large family child care homes, child care homes, and child care centers.



## House Bill 389 (2025)

HB 389 made changes to three sections of the Maryland Code.

*NOTE: State law changes also apply to adult care centers, but O-1-26 deals only with child care.*

### *Section 7-227 (Personal Property Exemption):*

State law exempts personal property from valuation and taxation if it is owned by a child care provider, located at the provider's residence, and used in connection with a family child care home. In Anne Arundel County, where Annapolis is located, large family care homes are also covered.

The county grants the exemption from personal property taxes because it is responsible for collecting them. The City of Annapolis does not have the authority to modify or expand this exemption.

### *Sections 9-213 and 9-214 (Property Tax Credits):*

These sections expand the authority to grant real property tax credits to child care providers. The City collects real property tax and has the authority under state law to implement these sections of the City Code.

The law extends eligibility to include large family child care homes (those serving 9 to 12 children). Previously, the tax credit covered registered family child care homes and licensed child care centers. Local governments are now authorized to grant property tax credits against the real property tax owed on the portion of real property used for large family child care homes.

*Maximum Credit Amount:* The maximum property tax credit allowed has been increased from \$3,000 to \$10,000.

HB 389 changes begin in the FY 2026 taxable year.

The modifications to state law are the reason for the changes to Annapolis law. However, since Annapolis never enacted the original tax credit, it helps to understand how the current law affects the City of Annapolis.



## MARYLAND LAW GENERALLY

### Eligibility

For child care homes in Annapolis to qualify for the property tax credit, the City Council must pass legislation authorizing the credit within the city.

It would apply to:

- State-registered family child care homes, large family child care homes, and
- State-licensed child care centers.

These credits are for child care businesses, not for parents with children in child care. Maryland offers state income tax deductions and credits for child and dependent care expenses, which are separate from the property tax credit in this legislation.

Child care providers covered by this law can also apply for tax exemptions on personal property used in the child care business. Those are approved through the county.

### Real Property Tax Credits

Real property generally refers to the land and improvements to land, including the land itself, buildings, driveways, fences, natural resources, and plants.

#### *Section 9-213 in the Tax-Property Article of the Maryland Code – Real-Property Tax Credit for Child Care Providers*

This section authorizes counties and municipalities to provide property tax credits for real property used exclusively for a qualifying child care facility. The credit applies to the portion of the property — including any buildings or improvements — set aside and dedicated exclusively for that use. Importantly, the state law focuses on how the property is used, not on who operates the facility. A property owner does not need to be the child care operator to qualify; the credit is available whether the owner operates the facility or leases the property to a licensed or registered child care operator.



### *Section 9-214 in the Tax-Property Article of the Maryland Code – Real-Property Tax Credit for Family Care Homes*

This section of the state law offers property tax credits to businesses that provide on-site child care facilities for their employees. To qualify, the business must own the property and have at least 25 employees. The credit applies to the portion of the property set aside exclusively for the child care facility, which must be registered or licensed by the state. Unlike § 9-213, this section requires that the property be owned by the business itself — it does not extend to businesses that lease their space for employee child care.

To qualify for the property tax credit, the business must have at least 25 employees and set aside an area exclusively for a child care center. The child care facility must be properly registered or licensed by the state.

### *Both Sections, 9-214 & 9-214*

The tax credit is now *up to* \$10,000. Local governments can go lower, but they cannot go higher.

Local governments also have the discretion to set the duration of the credits and other provisions necessary to carry out the program.



## Ordinance Details -- Section 6.04.128

*Section 6.04.128 would be a new section in the City Code that addresses a property tax credit for Child Care Centers, Child Care Homes, and Family Child Care Homes.*

### Subsection A - Definitions

Child care-related definitions are found in the Maryland Code. Other definitions specific to this new section are found in this subsection.

**Subsection B - Child Care Property Tax Credits** -- This subsection lays out the general requirements of the new law.

O-1-26 provides tax credits to two groups:

**1. Tax Credit for Child Care Providers.** The City will provide a tax credit to child care providers who:

- Own the property
- Operate a state-licensed or registered child care center, child care home, or family child care home on the property

The tax credit applies only to the property, buildings, and other facilities used for the child care facility.

Applicants should also read Tax-Property Article § 9-213 of the Annotated Code of Maryland for any changes made by the state in the future.

**2. Tax Credit for Businesses.** The City is also providing the property tax credit to businesses that:

- Own the property
- Have at least 25 employees
- Have an area set aside for child care that is separate from the business.

Applicants should also read Tax-Property Article § 9-214 of the Annotated Code of Maryland for any changes made by the state in the future.

**3. Tax Credit Amount.**

The maximum tax credit for real property is \$10,000.



That tax credit is for the City's share of real property taxes that a property owner pays, and it applies only to the portion of the property used exclusively for the state-licensed or registered child care facility.

The City's tax rate in 2026 is 0.738% per \$100 of assessed value.

Annapolis property owners also pay Anne Arundel County property taxes (\$0.977). A tax credit for the county portion would have to be approved by Anne Arundel County.

If the City of Annapolis tax bill exceeds \$10,000, the child care provider would pay the difference between \$10,000 and the full tax bill.

If the tax bill is less than \$10,000, the tax credit would equal the tax bill.

### **Subsection C - Duration & Termination.**

- The tax exemption and credit are valid for one year; child care providers must apply each year.
- The City will remove the tax credit if the child care provider no longer qualifies under the rules in Section 6.04.128 or fails to comply with other City rules and regulations applicable to child care in the City.

### **Subsection F - Application for Exemption --** This subsection provides instructions for the City's Finance Director for implementing the new law.

- The City's finance director will oversee the law's implementation
- The finance department will create the application form, and residents must get the form from the finance department
- The director is responsible for verifying that the information supplied is correct
- The director will set the timeline/deadlines for filling out the form
- If the application is filed after the deadline, the form will be treated as an application for the next tax year.



### **Section 21.764.190**

This change adds a reference to the Code of Maryland Regulations (COMAR) in a previously written section of the City Code.

### **Section 21.764.200**

This section removes the remaining "day care center" reference in the City Code. The Maryland Code now refers to "Day care" only in the context of Adult Day Care. Businesses taking care of children are "child care."

It also removes on-site parking requirements for educational and religious-affiliated child care centers.

## **SECTION II**

O-1-25 becomes effective when the Council passes the legislation; however, the tax exemption and credit will take effect in the *next fiscal year* following the bill's adoption.