

Department of Legislative Services  
 Maryland General Assembly  
 2000 Session

FISCAL NOTE  
 Revised

Senate Bill 348 (Senator Kasemever. *et al.*)

Budget and Taxation

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**Baltimore City and Baltimore County - Property Tax - Neighborhood  
 Stabilization Credits**

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This bill extends until June 30, 2002 the qualifying period for participation in the Neighborhood Preservation and Stabilization Act program in designated areas in Baltimore City and Baltimore County. It also allows the designation of a second area for inclusion in the program in Baltimore County containing between 2,000 and 2,400 single-family dwellings.

The bill is effective June 1, 2000, and is applicable to all taxable years for income tax purposes beginning after December 31, 2000. By October 1, 2001, the Comptroller must report to the General Assembly on the effect of the bill on income tax revenues and Baltimore City and Baltimore County must report on the impact on the targeted neighborhoods.

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**Fiscal Summary**

**State Effect:** General fund revenues could decrease by \$19,680 in FY 2002 increasing through FY 2003 as a result of additional program participants. Future year revenue losses would gradually taper off. Expenditures would not be affected. FY 2001 revenues are not affected because properties purchased in that year are not eligible for the credit until FY 2002.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	\$0	(\$19,680)	(\$52,488)	(\$45,620)	(\$38,751)
GF Expenditures	0	0	0	0	0
Net Effect	\$0	(\$19,680)	(\$52,488)	(\$45,620)	(\$38,751)

Note: ( ) = decrease; GF = general funds

**Local Effect:** Baltimore County could lose an estimated \$19,680 in property tax revenues in

FY 2002. Expenditures would not be affected.

**Small Business Effect:** None.

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## Analysis

**Current Law:** The Neighborhood Stabilization and Preservation Act of 1996 was enacted by Chapter 590 of 1996. It provides a tax credit for property taxes on owner-occupied residential property bought in designated neighborhoods in Baltimore City and Baltimore County between July 1, 1996 and June 30, 1999. This date was extended until June 30, 2001 by Chapter 319 of 1999. Chapter 319 also increased the number of dwellings eligible for the program in Baltimore City from 1,200 to 1,500 and in Baltimore County from 1,200 to 1,400. The tax credit is 80% of the property taxes paid in each year of the first five years of ownership. This amount declines by 10% in each of the successive years until the eleventh year, when it expires. The cost of the credit is split between the State and local governments with one-half of the credit amount being applied against the State income tax and the other half being a reduction in local property taxes owed.

The 1996 Act also required the Mayor of Baltimore City and the County Executive of Baltimore County to designate one neighborhood to participate in the program and to report this designation to the Budget and Taxation Committee and the Ways and Means Committee by June 1, 1996. Baltimore City designated the Waverly neighborhood, located near Memorial Stadium. Baltimore County designated the Hillendale neighborhood, located on the city line between Loch Raven Boulevard and Perring Parkway. Each neighborhood includes about 1,200 homes.

**Background:** The table below shows the State and local revenue loss for the program between fiscal 1997 and 2000 if all applicants claim the credit.

**Neighborhood Preservation and Stabilization Act Demonstration Program**

	<u>Baltimore City</u>	<u>Baltimore County</u>
Total Number of Applicants	47	97
Average Home Assessment	\$16,460	\$28,720
Local Property Tax Rate per \$100 Assessment	5.82	2.855
Average Property Tax	\$958	\$820
Total Local Revenue Loss	\$18,010	\$31,816
Total State Revenue Loss*	\$18,010	\$31,816

\* To date, not all applicants have claimed the State income tax credit

Source: Baltimore City, Baltimore County

**Local Revenues:** Under the program, the property tax credit may be claimed in the taxable year after the residence is purchased. For instance, properties purchased in fiscal 2001 (the first year of the expansion) would be eligible for the credit in fiscal 2002. Consequently, there is no effect on revenues in fiscal 2001. Based on the experience of the program, it could be estimated that extending the program by one year would add an additional 15 qualified home buyers in the city and 30 in the county in the existing program neighborhoods. Further, the expansion of the program to a second designated area in Baltimore County roughly twice the size of the existing neighborhood for two years could increase the number of credits in Baltimore County to 120. The resulting decrease in revenues for Baltimore City and Baltimore County would be as follows:

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Baltimore City	\$0	\$5,748	\$5,030	\$4,311
Baltimore County	\$19,680	\$46,740	\$40,590	\$34,440

The estimates assume:

- there will be 120 additional credits in Baltimore County as a result of the additional designated neighborhood -- these credits will be claimed by December 2002;
- the number of new credits as a result of the current program being extended one year is 15 in Baltimore City and 30 in Baltimore County -- these credits will be claimed by December 2003;
- local tax rates do not change;

- average assessments over the relevant period are equivalent to current averages;
- all persons will claim the credit; and
- both income and property tax credits are claimed in the same fiscal year.

**State Revenues:** General fund revenues would decrease by an amount equivalent to the combined local revenue losses. In fiscal 2002, general fund revenues would decline by \$19,680 increasing through fiscal 2003 equivalent to the increase in the city and county noted above.

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### **Additional Information**

**Prior Introductions:** Similar legislation (SB 86) was passed during the 1999 session that extended the program from June 30, 1999 until June 30, 2001.

**Cross File:** None.

**Information Source(s):** Department of Assessments and Taxation, Comptroller of the Treasury (Bureau of Revenue Estimates), Baltimore City, Baltimore County, Department of Legislative Services

**Fiscal Note History:** First Reader - February 21, 2000  
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