

Department of Legislative Services  
 Maryland General Assembly  
 2005 Session

FISCAL AND POLICY NOTE

House Bill 965 (Delegate Healey, *et al.*)  
 Ways and Means

Property Tax - Public School Teachers

This bill provides a State property tax exemption for a dwelling owned by a public school classroom teacher if the dwelling is located in the county where the teacher is employed. The bill also authorizes Baltimore City and county governments to grant, by law, a property tax credit against the county property tax imposed on a dwelling owned by a public school teacher who teaches at a public school in the county. Each local government may determine the amount and duration of the tax credit granted.

The bill takes effect October 1, 2005 and applies to taxable years beginning after June 30, 2006.

Fiscal Summary

**State Effect:** State special fund revenues could decrease by approximately \$4.6 million in FY 2007. The decrease in State special fund revenues could require either (1) an increase in the State property tax rate; or (2) a general fund appropriation, in order to cover debt service on the State’s general obligation bonds. The impact in future years reflects 5% annual assessment increases.

(\$ in millions)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SF Revenue	\$0	(\$4.6)	(\$4.9)	(\$5.1)	(\$5.4)
GF Expenditure	0	-	-	-	-
Net Effect	\$0	(\$4.6)	(\$4.9)	(\$5.1)	(\$5.4)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** Potentially significant reduction in local government property tax revenues. However, the amount of any decrease depends on whether counties grant a property tax credit for public school teachers.

**Small Business Effect:** None.

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## Analysis

**Current Law:** Dwellings owned by public school teachers are not exempt from property taxes. Local governments are not authorized to grant a tax credit for dwellings owned by public school teachers.

**Background:** The State real property tax rate is \$0.132 per \$100 of assessed value. All State property tax revenues are credited to a special fund, the Annuity Bond Fund, dedicated exclusively to paying the debt service on State general obligation bonds. Local governments generally have the authority to set their own property tax rates.

**State Fiscal Effect:** State special fund revenues are estimated to decrease by approximately \$4.6 million in fiscal 2007 based on fiscal 2005 assessable base estimates and data on certified public school teachers, as of November 2004, from the Maryland State Department of Education.

**Exhibit 1** shows the estimated effect of the State property tax exemption and potential local government effect if the local option credit is enacted in each jurisdiction. The estimate assumes that 50% of public school teachers who teach in each jurisdiction would also own a home in that jurisdiction and therefore qualify for the property tax exemption pursuant to the bill. State special fund revenues are estimated to decrease by 5% annually beginning in fiscal 2007 and beyond to account for annual assessment increases.

State general fund expenditures would increase in an amount equal to the decrease in the Annuity Bond Fund revenues or the State property tax would have to be increased in order to meet debt service payments. Revenues and expenditures could vary depending on the actual assessed value of each eligible property.

**Local Fiscal Effect:** Any local government revenue decrease would depend on whether a jurisdiction enacts a local option property tax credit for public school classroom teachers. However, Exhibit 1 shows the estimated potential local government effect if a 100% local option credit is enacted in each jurisdiction.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** State Department of Assessments and Taxation, Allegany County, Montgomery County, Prince George's County, Baltimore City, Maryland State Department of Education, Department of Legislative Services

**Fiscal Note History:** First Reader - March 4, 2005  
mam/hlb

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**Exhibit 1**  
**Estimated Effect of HB 965 in Fiscal 2006**

<u>County</u>	<u>County Tax Rate</u>	<u>Average County Tax Bill</u>	<u>Advanced Certified</u>	<u>Standard Certified</u>	<u>Potential Local Credit</u>	<u>State Exemption</u>
Allegany	\$1.0007	\$671	417	113	(\$177,741)	(\$23,445)
Anne Arundel	0.941	1,995	1,793	1,114	(2,899,784)	(406,771)
Baltimore City	2.328	1,803	1,788	1,033	(2,542,629)	(144,170)
Baltimore	1.115	1,684	2,682	2,037	(3,973,354)	(470,388)
Calvert	0.892	1,748	475	298	(675,548)	(99,969)
Caroline	0.952	1,060	153	95	(131,387)	(18,218)
Carroll	1.048	1,965	675	525	(1,179,225)	(148,528)
Cecil	0.98	1,427	434	313	(532,941)	(71,784)
Charles	1.026	1,758	473	459	(819,417)	(105,422)
Dorchester	0.93	949	133	72	(97,288)	(13,809)
Frederick	1.00	1,827	1,038	675	(1,565,043)	(206,586)
Garrett	1.036	915	200	49	(113,856)	(14,507)
Harford	1.092	1,773	1,073	825	(1,682,105)	(203,331)
Howard	1.1695	2,898	1,159	1,110	(3,288,126)	(371,127)
Kent	1.012	1,486	100	23	(91,373)	(11,918)
Montgomery	1.009	2,956	3,552	3,173	(9,940,128)	(1,300,393)
Prince George's	1.319	2,089	2,364	2,171	(4,735,840)	(473,943)
Queen Anne's	0.926	2,060	185	120	(314,077)	(44,771)
St. Mary's	0.878	1,449	380	272	(472,320)	(71,009)
Somerset	1.01	728	84	52	(49,472)	(6,466)
Talbot	0.54	1,415	124	95	(154,975)	(37,883)
Washington	0.948	1,185	599	358	(567,128)	(78,967)
Wicomico	1.025	1,123	395	216	(343,166)	(44,193)
Worcester	0.73	1,156	250	116	(211,473)	(38,239)
<b>Estimated Revenue Decrease for FY 2006</b>					<b>(\$36,558,395)</b>	<b>(\$4,405,837)</b>

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