

Department of Legislative Services  
Maryland General Assembly  
2012 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 923  
Ways and Means

(Delegate Lafferty, *et al.*)

Budget and Taxation

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Property Tax Credit - Neighborhood Conservation Act of 2012

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This bill authorizes local governments to grant a property tax credit for owner-occupied residential real property that is purchased from July 1, 2012, through June 30, 2018, and is located in a neighborhood conservation area established or renewed by application to the Department of Housing and Community Development (DHCD) based on the specified criteria adopted by DHCD. DHCD must adopt regulations that establish application procedures for the designation of a neighborhood conservation area based on (1) the concentration of foreclosure activity; (2) the concentration of blighted or vacant properties; and (3) the location within a priority funding area, with preference given to specified sustainable communities.

The bill takes effect June 1, 2012, and applies to all taxable years beginning after June 30, 2012.

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Fiscal Summary

**State Effect:** None. The bill's requirements can be handled with DHCD's existing budgeted resources.

**Local Effect:** Potential decrease in local property tax revenues beginning in FY 2013 to the extent the property tax credit is granted. The amount of the decrease depends on the number of eligible properties, the assessed value of residential property located in neighborhood conservation areas, and the amount of the tax credit granted.

**Small Business Effect:** None.

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## Analysis

**Bill Summary:** The bill authorizes Baltimore City, counties, and municipalities to grant a property tax credit for owner-occupied residential real property that is purchased from July 1, 2012, through June 30, 2018, and is located in a neighborhood conservation area established or renewed by application to DHCD based on the specified criteria adopted by DHCD.

In order to qualify for the tax credit, an individual's principal residence may not have been located in a neighborhood conservation area designated *unless* the individual was not an owner of the property that was the individual's principal residence for the 12-month period immediately prior to purchasing the property; and the residential real property must have been purchased in conformance with the eligibility requirements for the credit.

Local governments must provide, by law, for (1) the amount of the property tax credit authorized for each taxable year after the purchase of the residential real property; (2) the designation of certain geographic areas as neighborhood conservation areas for purposes of the tax credit authorized; (3) any additional limitations on eligibility for the tax credit; and (4) any other provision necessary to implement the tax credit.

Local governments must provide, on an annual basis, a statement certifying qualification for the tax credit and the amount of the tax credit being granted to those individuals qualifying for the property tax credit. This statement may be provided on or with the annual property tax bill or in another manner as chosen by the local government.

By January 1, of the calendar year following the year in which the neighborhood conservation tax credit is initiated, and each succeeding year, local governments that grant the tax credit must submit a report to the Senate Budget and Taxation Committee and the House Ways and Means Committee that describes (1) the tax credit program; (2) the designated neighborhood conservation areas; (3) the number of residential properties within neighborhood conservation areas that qualify for the tax credit; and (4) the economic impact of the tax credits granted on the neighborhood conservation areas.

**Current Law:** Property tax credits may be granted by local governments against local property taxes for various types of property as specified by law, including cemetery property; structures utilizing solar or geothermal energy devices; restoration and preservation of historic or heritage structures; manufacturing, fabricating, and assembling facilities; agricultural land subject to Maryland agricultural land preservation easements; newly constructed dwellings that are unsold or unrented; open space; tobacco barns; day care providers; property located in the Baltimore-Washington International Thurgood

Marshall Airport noise zone; erosion control structures; certain low-income rental dwellings; conservation lands; property leased by religious organizations; property of businesses that create new jobs; new or expanded business premises; brownfields property; improved property that includes the installation of an automatic fire protection sprinkler system; certain vacant and underutilized commercial buildings; amateur sports athletic fields; rehabilitated property; certain buildings located in arts and entertainment districts; businesses that provide computers to employees for home use; high-performance buildings; repaired or reconstructed dwellings; nonprofit swim clubs; dwellings owned by individuals at least 65 years old; property used as a publicly sponsored business incubator; family assistance dwellings; commercial waterfront property and marine trade property; property equipped with accessibility features; urban agricultural property; grocery stores located in low-income areas; and certain property owned by Habitat for Humanity.

**Local Fiscal Effect:** Potential decrease in local property tax revenues beginning in fiscal 2013 to the extent the property tax credit is granted. The amount of the decrease depends on the number of eligible properties, the assessed value of residential property located in specified neighborhood conservation areas, and the amount of the tax credit granted.

Baltimore City and Baltimore County currently have a Neighborhood Preservation and Stabilization Property Tax Credit for property purchased in the Waverly or Landsdowne sections of Baltimore City; and the Hillendale, Northbrook, Pelham Woods, or Taylor/Dartmouth sections of Baltimore County. The property tax credit is for a 10-year period, and is equal to 40% in the first 5 years, and phasing down to 15% in year 10. City and county residents who qualify for the property tax credit may also qualify for a State income tax credit. Baltimore County reports that since 2001 it has issued \$684,700 in property tax credits under the program, which equates to an annual average of \$57,060.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Baltimore, Howard, and Montgomery counties; State Department of Assessments and Taxation; Property Tax Assessment Appeals Board; Department of Legislative Services

**Fiscal Note History:** First Reader - March 2, 2012  
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