

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

Senate Bill 318

(Senators Brinkley and Young)

Budget and Taxation

Ways and Means

Frederick County - Property Tax Credit to Offset Income Tax Revenues -
Eligibility

This bill expands the eligibility for a local option property tax credit, in Frederick County, that is designed to offset increases in county or municipal income tax revenue resulting from a county income tax rate set above 2.6%. Pursuant to the bill, the property tax credit may be granted for all real property in the county. Under current law, the property tax credit only applies to owner-occupied real property.

The bill takes effect June 1, 2013, and applies to taxable years beginning after June 30, 2013.

Fiscal Summary

State Effect: None.

Local Effect: Potential decrease in Frederick County property tax revenues beginning in FY 2014 to the extent the county expands the property tax credit to include all real property accounts. County expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: Local governments are authorized to grant a property tax credit to offset, in whole or in part, increases in county or municipal income tax revenue resulting from county income tax rates being set above 2.6%. Only owner-occupied real property is eligible for the property tax credit. Currently, only three jurisdictions (Baltimore City, Frederick County, and Montgomery County) have enacted the property tax credit. The

property tax credit amount totals \$100 in Frederick County and \$692 in Montgomery County.

Background: Pursuant to legislation enacted in 1999, county income tax rates may range between 1.0% and 3.2%. For calendar 2013, three counties – Anne Arundel, Talbot, and Wicomico – raised their local income tax rates, with Wicomico County raising its rate to 3.2%, the highest amount authorized under State law. Local income tax rates currently range from 1.25% in Worcester County to 3.2% in Baltimore City, and Howard, Montgomery, Prince George’s, Queen Anne’s, and Wicomico counties. **Exhibit 1** shows the local income tax rates for calendar 2004 through 2013.

Local Fiscal Effect: Frederick County property tax revenues may decrease beginning in fiscal 2014, if the county extends the current property tax credit to nonowner-occupied real property. Frederick County reports that, in September 2012, it issued a \$100 tax credit to 66,340 owner-occupied real property accounts. Pursuant to the bill, there are approximately 27,000 nonowner occupied real property accounts that may be eligible for the tax credit, depending on whether the county decides to extend the tax credit to all real property accounts. As a point of reference, if the county provides the same \$100 property tax credit to nonowner occupied accounts, county property tax revenues will decrease by \$2.7 million annually. Alternatively, the county could reduce the overall tax credit amount that it provides to each property owner in order to cover additional property owners at the same cost. Based on approximately 93,340 real property accounts within the county, the average tax credit amount may have to decrease from \$100 per account to \$70 per account in order to keep county cost for the property tax credit relatively constant.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Frederick County, State Department of Assessments and Taxation, Comptroller’s Office, Department of Legislative Services

Fiscal Note History: First Reader - February 18, 2013
ncs/hlb

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Exhibit 1
County Income Tax Rates in Calendar 2004-2013

County	CY 2004	CY 2005	CY 2006	CY 2007	CY 2008	CY 2009	CY 2010	CY 2011	CY 2012	CY 2013
Allegany	2.93%	2.93%	2.93%	2.93%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%
Anne Arundel	2.56%	2.56%	2.56%	2.56%	2.56%	2.56%	2.56%	2.56%	2.49%	2.56%
Baltimore City	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.20%	3.20%	3.20%
Baltimore	2.83%	2.83%	2.83%	2.83%	2.83%	2.83%	2.83%	2.83%	2.83%	2.83%
Calvert	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
Caroline	2.63%	2.63%	2.63%	2.63%	2.63%	2.63%	2.63%	2.63%	2.63%	2.63%
Carroll	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%
Cecil	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
Charles	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%
Dorchester	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%
Frederick	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%
Garrett	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%
Harford	3.06%	3.06%	3.06%	3.06%	3.06%	3.06%	3.06%	3.06%	3.06%	3.06%
Howard	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
Kent	2.58%	2.85%	2.85%	2.85%	2.85%	2.85%	2.85%	2.85%	2.85%	2.85%
Montgomery	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
Prince George's	3.20%	3.20%	3.20%	3.10%	3.10%	3.20%	3.20%	3.20%	3.20%	3.20%
Queen Anne's	2.85%	2.85%	2.85%	2.85%	2.85%	2.85%	2.85%	2.85%	3.20%	3.20%
St. Mary's	3.10%	3.05%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Somerset	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%
Talbot	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.40%
Washington	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
Wicomico	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	3.20%
Worcester	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%

Source: Office of the Comptroller