

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

House Bill 1012
Ways and Means

(Prince George's County Delegation)

Prince George's County - Property Tax Credit - Qualified Residential Property
PG 414-14

This bill authorizes Prince George's County to grant a property tax credit for residential real property that is subject to foreclosure, short sale, or an extended vacancy. To be eligible for the property tax credit, the residential real property must be located within a neighborhood revitalization area, as defined by Prince George's County, and purchased as an owner-occupied primary residence in which the purchaser intends to reside for a period of at least 10 years. Prince George's County may provide for (1) criteria for the designation of a neighborhood revitalization area; (2) criteria for eligibility for the property tax credit; (3) regulations and procedures for the application, certification, and uniform processing of requests for the tax credit; and (4) any other provision necessary to carry out the tax credit.

The bill takes effect June 1, 2014, and applies to taxable years beginning after June 30, 2014.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County property tax revenues may decrease by a significant amount beginning in FY 2015 to the extent the property tax credit is granted. The amount of the decrease depends on the number of qualified residential properties that are purchased each year and the assessed value of each property. County expenditures are not affected.

Small Business Effect: None.

Analysis

Bill Summary: The amount of the property tax credit is equal to (1) 75% of the assessed value in the first through third taxable years after the taxable year of the purchase; (2) 50% of the assessed value in the fourth and fifth taxable years after the taxable year of the purchase; (3) 25% of the assessed value in the sixth and seventh taxable years after the taxable year of the purchase; and (4) 0% of the assessed value for each taxable year thereafter.

Extended vacancy means real property that has been (1) cited as vacant and abandoned on a housing or building violation notice for at least one year or (2) owned by Prince George's County for at least one year and is in need of substantial repair to comply with applicable county codes.

Local Fiscal Effect: Prince George's County property tax revenues may decrease by a significant amount beginning in fiscal 2015 to the extent the property tax credit is granted. The amount of the decrease depends on the number of qualified residential properties that are purchased in a year and the assessed value of each property, neither of which can be reliably estimated.

The State Department of Assessments and Taxation reports that there were 23,511 residential property transfers in Prince George's County during fiscal 2013; the average taxable assessment for these properties was \$138,500. The average property tax on these residential property transfers is approximately \$1,800, including the special county property tax rates. The Department of Housing and Community Development reports that there were 6,302 foreclosure filings in Prince George's County in fiscal 2013.

As a point of reference, and *for illustrative purposes only*, if there are 1,000 qualified residential properties purchased in fiscal 2015 and assuming that the tax credit will be applied on 75% of the assessed property tax bill, county property tax revenues may decrease by approximately \$1.35 million in the first year of the tax credit. The county property tax decrease will be compounded in each future year as new qualified properties are purchased.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Prince George's County, Department of Legislative Services

Fiscal Note History: First Reader - February 25, 2014
mm/hlb

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