

Department of Legislative Services
 Maryland General Assembly
 2014 Session

FISCAL AND POLICY NOTE

Senate Bill 189
 Budget and Taxation

(Senator Reilly)

Ways and Means

Property Tax - Exemption for Blind Individuals and Surviving Spouses

This bill expands an existing property tax exemption for blind individuals or their surviving spouses by increasing from \$15,000 to \$30,000, the amount of the assessed value of the individual’s dwelling that is exempt from property taxes.

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

Fiscal Summary

State Effect: Annuity Bond Fund revenues decrease by \$37,400 beginning in FY 2015. This decrease may require either (1) an increase in the State property tax rate or (2) a general fund appropriation to cover debt service on the State’s general obligation bonds. Future year revenues reflect a constant number of exemptions being granted and stable assessments.

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
SF Revenue	(\$37,400)	(\$37,400)	(\$37,400)	(\$37,400)	(\$37,400)
Expenditure	0	0	0	0	0
Net Effect	(\$37,400)	(\$37,400)	(\$37,400)	(\$37,400)	(\$37,400)

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

Local Effect: Local property tax revenues decrease by approximately \$437,300 beginning in FY 2015. County expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: Dwelling houses owned by specified blind individuals or their surviving spouses are provided a property tax exemption of \$15,000 from the total assessed value.

Background: While local governments have limited ability to alter real property exemptions, they have been granted broad authority to exempt certain types of personal property from property taxation. The types of property exempt from local taxation are enumerated in Title 7 of the Tax-Property Article. Exemptions apply to State property taxation as well, although the State does not tax personal property. The major exemptions from the local property tax are local, State, and federal government property; property of religious organizations; cemeteries and mausoleums; nonprofit hospitals; portions of continuing care facilities for the elderly; property of charitable, fraternal, and educational institutions; property used for national defense or military housing; property of national veterans' organizations; homes of disabled veterans and the blind (partial exemption), or a surviving spouse of either; property of historical societies and museums; property owned by certain taxpayers engaged in building, operating, and managing nonprofit multifamily units, subject to local government approval; and property owned by fire companies, rescue squads, community water corporations, and housing authorities.

State Fiscal Effect: The current property tax exemption for blind individuals will reduce the taxable assessable base by approximately \$33.4 million in fiscal 2015, as shown in **Exhibit 1**. By doubling the amount of the exemption, State property tax revenues will decrease by \$37,400 beginning in fiscal 2015. This estimate is based on the State's current property tax rate of \$0.112 per \$100 of assessed value.

Debt service payments on the State's general obligation bonds are paid from the Annuity Bond Fund. Revenue sources for the fund include State property taxes, premium from bond sales, and repayments from certain State agencies, subdivisions, and private organizations. General funds may be appropriated directly to the Annuity Bond Fund to make up any differences between the debt service payments and funds available from property taxes and other sources. The fiscal 2015 State budget includes \$1.0 billion for general obligation debt service costs, including \$195.0 million in general funds, \$826.7 million in special funds from the Annuity Bond Fund, \$6.3 million in transfer tax revenues, and \$11.5 million in federal funds.

To offset the reduction in State property tax revenues, general fund expenditures could increase in an amount equal to the decrease in the Annuity Bond Fund revenues or the State property tax rate would have to be increased in order to meet debt service payments. This assumes that the Annuity Bond Fund does not have an adequate fund balance to cover the reduction in State property tax revenues.

Local Fiscal Effect: The State Department of Assessments and Taxation advises that the current property tax exemption for homes owned by blind individuals or their surviving spouses reduces the property tax base by approximately \$33.4 million. As a result, increasing the exemption amount from \$15,000 of assessed value to \$30,000 of assessed value will reduce county property tax revenues by approximately \$408,800 beginning in fiscal 2015. In addition, municipal property tax revenues may decrease by approximately \$28,500 resulting in a total local revenue decrease of \$437,300.

Exhibit 1 shows the current number of property tax accounts that qualify for the exemption and the total amount of the exemptions in each county and the revenue effect on county governments of doubling the current exemption amount. The estimate assumes that all properties have a total assessed value of greater than \$30,000.

Additional Information

Prior Introductions: SB 119 of 2013 passed the Senate and received a hearing in the House Ways and Means Committee, but no further action was taken. Its cross file, HB 21, received a hearing in the House Ways and Means Committee, but no further action was taken. SB 6 of 2012 passed the Senate and received a hearing in the House Ways and Means Committee, but no further action was taken. Its cross file, HB 976, received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Department of Legislative Services

Fiscal Note History: First Reader - January 24, 2014
ncs/hlb

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Exhibit 1
Fiscal Impact of Increasing Exemption from \$15,000 to \$30,000

County	Accounts	Current Exemption Amount	Proposed Exemption Amount	FY 2014 Tax Rate	County Revenue Decrease
Allegany	61	\$915,000	\$1,830,000	\$0.980	(\$8,967)
Anne Arundel	161	2,415,000	4,830,000	0.950	(22,943)
Baltimore City	321	4,815,000	9,630,000	2.248	(108,241)
Baltimore	427	6,405,000	12,810,000	1.100	(70,455)
Calvert	13	195,000	390,000	0.892	(1,739)
Caroline	25	375,000	750,000	0.940	(3,525)
Carroll	66	990,000	1,980,000	1.018	(10,078)
Cecil	37	555,000	1,110,000	0.991	(5,498)
Charles	36	540,000	1,080,000	1.205	(6,507)
Dorchester	39	585,000	1,170,000	0.976	(5,710)
Frederick	80	1,200,000	2,400,000	1.064	(12,768)
Garrett	25	375,000	750,000	0.990	(3,713)
Harford	109	1,635,000	3,270,000	1.042	(17,037)
Howard	70	1,050,000	2,100,000	1.190	(12,495)
Kent	18	270,000	540,000	1.022	(2,759)
Montgomery	293	4,395,000	8,790,000	1.021	(44,873)
Prince George's	202	3,030,000	6,060,000	1.319	(39,966)
Queen Anne's	26	390,000	780,000	0.847	(3,304)
St. Mary's	32	480,000	960,000	0.857	(4,114)
Somerset	8	120,000	240,000	0.915	(1,098)
Talbot	16	240,000	480,000	0.512	(1,229)
Washington	82	1,230,000	2,460,000	0.948	(11,660)
Wicomico	53	795,000	1,590,000	0.909	(7,223)
Worcester	25	375,000	750,000	0.770	(2,888)
Total	2,225	\$33,375,000	\$66,750,000		(\$408,789)

Source: State Department of Assessments and Taxation; Department of Legislative Services