

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

House Bill 321

(Frederick County Delegation)

Ways and Means

Budget and Taxation

Frederick County - Property Tax - Exemption for Property Owned by Affordable Housing Land Trust

This bill authorizes Frederick County to exempt real property from the county property tax if the real property is owned by an affordable housing land trust and not subject to an affordable housing land trust agreement.

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

Fiscal Summary

State Effect: None.

Local Effect: Frederick County property tax revenues may decrease beginning in FY 2015 to the extent the exemption is granted. The amount of the revenue decrease depends on the number of eligible properties and the assessed value of each property. Based on currently identified eligible properties, Frederick County revenues may decrease by approximately \$3,600 annually beginning in FY 2015. Expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: Major exemptions from the local real property tax include 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.

An "affordable housing land trust" is defined as an entity that (1) provides affordable housing to low-income families and moderate-income families through an affordable housing land trust agreement and (2) is organized or managed by a nonprofit organization exempt from taxation under § 501(c)(2), (3), or (4) of the Internal Revenue Code; or a unit or instrumentality of the State or a political subdivision of the State.

An "affordable housing land trust agreement" is an agreement between an affordable housing land trust and a purchaser of real property owned by the affordable housing land trust, or for which the affordable housing land trust has a proprietary or reversionary interest, that (1) grants the affordable housing land trust a preemptive right to purchase or repurchase the property, including any improvements on the property; (2) contains language restricting the transfer, lease, sublease, assignment, or occupancy of the property with regard to potential transferees, sublessees, assignees, or occupants; and the price at which the property may be transferred; or (3) imposes other conditions on the use or transfer of the property that would trigger a reversionary interest and that are designed to ensure that the property remains available and affordable to low-income families and moderate-income families.

Local Fiscal Effect: Frederick County property tax revenues may decrease beginning in fiscal 2015, to the extent the exemption is granted to certain affordable housing land trusts. The amount of the revenue decrease depends on the number of eligible properties, the assessed value of each property, and the jurisdiction's real property tax rate.

The State Department of Assessments and Taxation (SDAT) has identified two properties, each located in Frederick County and owned by the Frederick County Affordable Housing Land Trust LLC, that will be eligible for the exemption proposed by the bill. The two properties have property tax liabilities totaling \$2,200 and \$1,400, respectively, for fiscal 2014. To the extent the property tax exemption is authorized, Frederick County property tax revenues will decrease by approximately \$3,600 annually, beginning in fiscal 2015.

To the extent there are other eligible properties in the county not identified by SDAT, the effect of the exemption will vary accordingly.

Additional Information

Prior Introductions: None.

Cross File: SB 616 (Senators Brinkley and Young) – Budget and Taxation.

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

Fiscal Note History: First Reader - February 3, 2014
mc/hlb

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