

Department of Legislative Services  
Maryland General Assembly  
2017 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 640  
Ways and Means

(Delegate Haynes, *et al.*)

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**Baltimore City - Property Tax Credit - Rental Discount for Baltimore City Police Officers**

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This bill authorizes Baltimore City to grant a property tax credit for an apartment building that provides a rental discount to Baltimore City police officers. The property tax credit must be equal to 100% of the rental discount provided to police officers. Baltimore City may establish (1) the duration of the property tax credit; (2) additional requirements for or limitations on eligibility for the property tax credit; and (3) any other provision necessary to implement the property tax credit.

The bill takes effect June 1, 2017, and applies to taxable years beginning after June 30, 2017.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Baltimore City property tax revenues may decrease by a significant amount beginning in FY 2018 to the extent the property tax credit is authorized. The amount of the decrease depends on the number of Baltimore City police officers who rent apartments in the city and the amount of rental discounts that are provided. City expenditures are not affected.

**Small Business Effect:** None.

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## Analysis

**Bill Summary:** Baltimore City is authorized to grant, by law, a property tax credit against the city property tax imposed on an apartment building that is owned by a qualified landlord if (1) the qualified landlord provides a rental discount to a qualified tenant (Baltimore City police officer) for a dwelling unit in the apartment building and (2) the rent amount before the discount is comparable to the rent amount for an equivalent dwelling unit in the apartment building or the fair market rental value of the dwelling unit. The property tax granted must be equal to 100% of the total dollar value of the discounts applied to the rent of a qualified tenant during the taxable year.

An apartment building is defined as a multi-unit residential building located in Baltimore City that contains 10 or more dwelling units. A qualified landlord means a landlord that (1) owns an apartment building and (2) leases a dwelling unit in the apartment building to a qualified tenant. A qualified tenant is an individual lessee who (1) resides in an apartment building owned by a qualified landlord and (2) is employed by the Baltimore City Police Department as a police officer.

**Current Law:** Chapters 558 and 559 of 2016 authorize Baltimore City to grant, by law, a property tax credit for a dwelling owned by a Baltimore City public safety officer if the public safety officer is otherwise eligible for the homestead property tax credit. The amount of the property tax credit may not exceed \$2,500 per dwelling in any taxable year.

**Local Fiscal Effect:** Baltimore City property tax revenues decrease beginning in fiscal 2018 to the extent the property tax credit is authorized. The amount of the decrease depends on the number of Baltimore City police officers who rent apartments in certain apartment buildings in the city and the amount of rental discounts that are provided, neither of which can be reliably estimated at this time.

The fiscal 2017 Baltimore City budget assumes 3,125 funded positions within the Baltimore City Police Department, of which 2,400 are sworn officers. Baltimore City does not have data as to the number of officers who rent a dwelling in the city. However, since the property tax credit must equal 100% of the rental discount provided, the bill may create a financial incentive for landlords to offer significant rental discounts to Baltimore City police officers. If, *for illustrative purposes*, 25% of police officers were to rent a dwelling in Baltimore City at a cost of \$900 a month, and a 100% rental discount was provided to each officer, Baltimore City property tax revenues may decrease by \$6.5 million annually.

## Additional Information

**Prior Introductions:** None.

**Cross File:** SB 526 (Senator Ferguson, *et al.*) - Budget and Taxation.

**Information Source(s):** Baltimore City; State Department of Assessments and Taxation;  
Department of Legislative Services

**Fiscal Note History:** First Reader - February 14, 2017  
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