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FISCAL AND POLICY NOTE
First Reader

House Bill 701
Ways and Means

(Delegate Cluster, *et al.*)

Property Tax Credits - Law Enforcement Officers

This bill expands the eligibility criteria for three property tax credit programs for specified law enforcement officers by enabling additional law enforcement officers to qualify for the tax credits. The property tax credit programs affected include: (1) a statewide local property tax credit; (2) a Baltimore City property tax credit; and (3) a Montgomery County property tax credit. Eligibility for these tax credit programs is extended to include all law enforcement officers employed by an agency listed in Section 3-101 of the Public Safety Article. In addition, the bill alters the amount of the property tax credit that may be received from these three programs by specifying that the amount may not exceed the lesser of \$2,500 per dwelling or the amount of the property tax imposed on the dwelling. **The bill takes effect June 1, 2018, and applies to taxable years beginning after June 30, 2018.**

Fiscal Summary

State Effect: None.

Local Effect: County and municipal property tax revenues may decrease by a significant amount beginning in FY 2019 to the extent that local jurisdictions grant the property tax credits, and the changes to existing eligibility requirements result in additional individuals becoming eligible for the property tax credits. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: Chapter 686 of 2017 authorized county and municipal governments to grant a property tax credit for dwellings owned by specified public safety officers. The

amount of the property tax credit may not exceed \$2,500 and the amount of property tax imposed on the dwelling. The State Department of Assessments and Taxation (SDAT) is responsible for the administrative duties that relate to the application and determination of eligibility for the property tax credit. County and municipal governments must reimburse SDAT for the reasonable cost of administering the property tax credit. County and municipal governments may establish, by law, the amount of the property tax credit, the duration of the property tax credit, and additional eligibility requirements for public safety officers to qualify for the property tax credit.

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. A public safety officer is defined as a firefighter, an emergency medical technician, or a law enforcement officer who is a sworn member of and employed full time by the (1) Baltimore City Fire Department; (2) Baltimore City Police Department; or (3) Baltimore City Sheriff's Office.

Chapter 118 of 2017 authorized Montgomery County to grant, by law, a real property tax credit for a dwelling owned by a specified Montgomery County public safety officer. The amount of the property tax credit may not exceed \$2,500 and the amount of property tax imposed on the dwelling. SDAT is responsible for the administrative duties that relate to the application and determination of eligibility for the property tax credit. Montgomery County must reimburse SDAT for the reasonable cost of administering the property tax credit. Montgomery County may establish, by law, the amount of the property tax credit, the duration of the property tax credit, and additional eligibility requirements for public safety officers to qualify for the property tax credit. A public safety officer is defined as a (1) firefighter or emergency medical technician employed full time by the Montgomery County Fire and Rescue Service; (2) law enforcement officer employed full time by the Montgomery County Department of Police or by the Montgomery County Sheriff's Office; (3) corrections officer employed full time by the Montgomery County Department of Correction and Rehabilitation; or (4) firefighter or emergency medical technician volunteering at the Montgomery County Fire and Rescue Service who is eligible for an annual stipend under the Length of Service Award Program.

Background: SDAT indicates that no local jurisdiction has authorized the property tax credit under Chapter 686 of 2017; however, Anne Arundel County is considering the program.

In December 2017, the Mayor of Baltimore signed into law City Council Bill 17-0120 that granted the maximum \$2,500 property tax credit to eligible public safety officers. The tax credit takes effect July 1, 2018.

Section 3-101 of the Public Safety Article defines a law enforcement officer as an individual who, in an official capacity, is authorized by law to make arrests and is a member of one of the following law enforcement agencies:

- Department of State Police;
- Police Department of Baltimore City;
- Baltimore City School Police Force;
- Baltimore City Watershed Police Force;
- police department, bureau, or force of a county;
- police department, bureau, or force of a municipality;
- office of the sheriff of a county;
- police department, bureau, or force of a bicounty agency;
- Maryland Transportation Authority Police;
- police forces of the Department of Transportation;
- police forces of the Department of Natural Resources;
- Field Enforcement Bureau of the Comptroller's Office;
- Housing Authority of Baltimore City Police Force;
- Crofton Police Department;
- police force of the Maryland Department of Health;
- police force of the Maryland Capitol Police of the Department of General Services;
- police force of the Department of Labor, Licensing, and Regulation;
- police forces of the University System of Maryland;
- police force of Morgan State University;
- office of State Fire Marshal;
- Ocean Pines Police Department;
- police force of the Baltimore City Community College;
- police force of the Hagerstown Community College;
- Internal Investigation Unit of the Department of Public Safety and Correctional Services;
- Warrant Apprehension Unit of the Division of Parole and Probation in the Department of Public Safety and Correctional Services; and
- police force of the Anne Arundel Community College.

Local Fiscal Effect: The bill expands the number of law enforcement officers who may be eligible for the property tax credits. As a result, county and municipal property tax revenues may decrease by a significant amount beginning in fiscal 2019, to the extent that local jurisdictions grant the property tax credit, and the changes to existing eligibility requirements result in additional individuals becoming eligible for the property tax credit. Depending on the jurisdiction, the revenue decrease may be significant. The amount of the

revenue decrease depends on the number of eligible homeowners, the value of residential property tax assessments, and local property tax rates.

Washington County advises that, if the property tax credit is enacted, county property tax revenues may decrease by \$312,500 annually. The City of Salisbury estimates that city property tax revenues may decrease by \$125,000 annually if the property tax credit is enacted.

As a point of reference, **Exhibit 1** shows the average residential property tax assessments and property tax rates for each county. Additional information on local property tax rates and property assessments can be found in Chapters 4 and 5 of the [Overview of Maryland Local Governments report](#). A copy of the report can be found on the Department of Legislative Services website.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Montgomery, Washington, and Worcester counties; Town of Leonardtown; cities of Salisbury and Westminster; State Department of Assessments and Taxation; Department of Legislative Services

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Exhibit 1
Residential Property Tax Assessments and Property Tax Rates

County	Average Total Value FY 2017	Average County Homestead Credit FY 2017	Property Tax Rate FY 2018
Allegany	\$94,878	\$7,939	\$0.9760
Anne Arundel	276,482	89,033	0.9070
Baltimore City	133,263	30,478	2.2480
Baltimore	226,681	16,799	1.1000
Calvert	263,809	25,493	0.9520
Caroline	178,051	14,332	0.9800
Carroll	302,051	8,684	1.0180
Cecil	292,387	8,832	1.0414
Charles	259,751	8,850	1.2050
Dorchester	194,673	25,337	0.9740
Frederick	293,806	9,441	1.0600
Garrett	120,058	16,688	0.9900
Harford	257,605	8,181	1.0420
Howard	379,774	19,679	1.1900
Kent	223,204	43,863	1.0220
Montgomery	328,888	15,822	1.0129
Prince George's	214,043	33,141	1.3740
Queen Anne's	337,525	21,516	0.8471
St. Mary's	262,461	31,496	0.8478
Somerset	104,915	15,019	1.0000
Talbot	250,991	154,296	0.5708
Washington	203,350	10,216	0.9480
Wicomico	160,278	7,555	0.9398
Worcester	216,166	24,620	0.8350

Source: State Department of Assessments and Taxation
