

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE
First Reader

Senate Bill 1022

(Senator Conway)

Budget and Taxation

**Baltimore City - Property Tax Credit - Rental Discount for Baltimore City
Public Safety Officers**

This bill authorizes Baltimore City to grant a property tax credit for a rental dwelling that provides a rental discount to specified Baltimore City public safety officers. Baltimore City may establish (1) the amount and 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, 2018, and applies in fiscal 2019 through 2021.**

Fiscal Summary

State Effect: None.

Local Effect: Baltimore City property tax revenues may decrease by a significant amount in FY 2019 through 2021 to the extent the property tax credit is authorized. Under one set of assumptions, city property tax revenues decrease by \$904,500 annually. Baltimore City expenditures are not affected.

Small Business Effect: None.

Analysis

Bill Summary: Baltimore City is authorized to grant, by law, a property tax credit against the city property tax imposed on a rental dwelling that is owned by a qualified landlord if (1) the qualified landlord provides a rental discount to a qualified tenant (Baltimore City public safety officer) for a rental dwelling unit and (2) the rent amount before the discount is comparable to the fair market rental value of the dwelling unit.

A qualified landlord means a landlord that (1) owns a rental dwelling and (2) leases a dwelling unit in the rental dwelling to a qualified tenant. A qualified tenant is an individual lessee who (1) resides in a rental dwelling owned by a qualified landlord and (2) is a Baltimore City public safety officer. A public safety officer is a firefighter, an emergency medical technician, or a law enforcement officer who is a sworn member of and employed full time by the Baltimore City Fire Department, the Baltimore City Police Department, the Baltimore City Sheriff's Office, or the Baltimore City School Police Force.

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.

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.

Local Fiscal Effect: Baltimore City property tax revenues decrease in fiscal 2019 through 2021 to the extent the property tax credit is authorized. The amount of the decrease depends on the number of Baltimore City public safety officers who rent various dwelling units in the city, the amount of rental discounts that are provided, and the amount of the property tax credit authorized by Baltimore City.

Based on information from Baltimore City, approximately 10% of sworn law enforcement officers in Baltimore City rent a dwelling unit within the city. Accordingly, approximately 335 city law enforcement officers could be eligible to receive a rental discount through the property tax credit program. Assuming an average monthly rent of \$900, the potential cost of the property tax credit program could total \$3.6 million. This estimate assumes that Baltimore City government will provide a 100% property tax credit to eligible individuals. However, if the tax credit amount was limited to a 25% rental discount, the potential cost may total only \$904,500. The estimates are based on the following:

- there are 2,524 sworn officers in the Baltimore City Police Department; 224 of these officers rent a dwelling unit in the city;
- there are 148 sworn officers in the Baltimore City Sheriff's Office; 45 of these officers rent a dwelling unit in the city;
- there are 1,340 sworn officers in the Baltimore City Fire Department; 53 of these officers rent a dwelling unit in the city; and
- there are 93 sworn officers in the Baltimore City School Police Force; 13 of these officers rent a dwelling unit in the city.

Additional Information

Prior Introductions: SB 526 of 2017 received a favorable with amendments report from the Senate Budget and Taxation Committee and passed the Senate. The bill was assigned to the House Rules and Executive Nominations Committee, but no further action was taken. Its cross file, HB 640, received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: HB 1050 (Delegate Haynes, *et al.*) - Ways and Means.

Information Source(s): Baltimore City; Department of Legislative Services

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md/hlb

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