

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 457 (Delegate Long)
Ways and Means

Baltimore County - Property Tax - Homestead Tax Credit Percentage

This bill caps the percentage used to determine the homestead property tax credit for Baltimore County at 3%, thereby limiting annual Baltimore County property assessment increases on owner-occupied residential properties to 3%. **The bill takes effect June 1, 2018, and applies to taxable years beginning after June 30, 2018.**

Fiscal Summary

State Effect: None.

Local Effect: Baltimore County property tax revenues decrease by approximately \$1.9 million annually beginning in FY 2019. County expenditures are not affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Current Law/Background: The Homestead Property Tax Credit Program (assessment caps) provides tax credits against State, county, and municipal real property taxes for owner-occupied residential properties for the amount of real property taxes resulting from an annual assessment increase that exceeds a certain percentage or “cap” in any given year. The State requires the cap on assessment increases to be set at 10% for State property tax purposes; however, local governments have the authority to set their caps between 0% and 10%. The Baltimore County homestead property tax credit assessment cap is currently set at 4%, as shown in **Exhibit 1**.

A majority of local subdivisions have assessment caps below 10%: 21 counties in fiscal 2017, 2018, and 2019. Exhibit 1 lists county assessment caps for fiscal 2017 through 2019.

Exhibit 1
County Assessment Caps

| County | FY 2017 | FY 2018 | FY 2019 |
|-----------------|----------------|----------------|----------------|
| Allegany | 7% | 4% | 4% |
| Anne Arundel | 2% | 2% | 2% |
| Baltimore City | 4% | 4% | 4% |
| Baltimore | 4% | 4% | 4% |
| Calvert | 10% | 10% | 10% |
| Caroline | 5% | 5% | 5% |
| Carroll | 5% | 5% | 5% |
| Cecil | 4% | 4% | 4% |
| Charles | 7% | 7% | 7% |
| Dorchester | 5% | 5% | 5% |
| Frederick | 5% | 5% | 5% |
| Garrett | 5% | 5% | 5% |
| Harford | 5% | 5% | 5% |
| Howard | 5% | 5% | 5% |
| Kent | 5% | 5% | 5% |
| Montgomery | 10% | 10% | 10% |
| Prince George's | 0% | 1% | 2% |
| Queen Anne's | 5% | 5% | 5% |
| St. Mary's | 5% | 5% | 5% |
| Somerset | 10% | 10% | 10% |
| Talbot | 0% | 0% | 0% |
| Washington | 5% | 5% | 5% |
| Wicomico | 5% | 5% | 5% |
| Worcester | 3% | 3% | 3% |

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

Property assessments in both Maryland and in Baltimore County increased significantly between fiscal 2000 and 2008. The average three-year increase in the full cash value of property undergoing reassessment totaled 5.7% in 2000 and 60.2% in 2006, statewide. In Baltimore County, assessment growth during this period totaled 4.1% in 2000 and 53.4% in 2006. Property assessments continued to experience strong growth through fiscal 2008; however, the continual rapid increase in property assessments halted in 2009 for most jurisdictions, as property valuation declined reflecting the national credit crisis and deteriorating economic conditions. Over a four-year period, local jurisdictions across Maryland experienced a sharp decline in property assessments. In Baltimore County,

property assessments declined by 13.2% in 2010, with annual assessment declines reaching 14.5% in 2012. Due to improvements in the national economy, property assessments statewide and in Baltimore County started to increase in 2014 as shown in **Exhibit 2**. Additional information on local property assessments can be found in Chapter 5 of the [Overview of Maryland Local Governments](#) report. A copy of the report can be found on the Department of Legislative Services website.

Exhibit 2
Triennial Change in Full Cash Value

| <u>Assessment Group</u> | <u>2014</u> <u>Group 2</u> | <u>2015</u> <u>Group 3</u> | <u>2016</u> <u>Group 1</u> | <u>2017</u> <u>Group 2</u> | <u>2018</u> <u>Group 3</u> |
|-------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Baltimore County | 1.2% | 6.4% | 12.4% | 8.5% | 6.6% |
| Statewide | 4.7% | 10.8% | 10.9% | 8.2% | 7.7% |

Local Fiscal Effect: The bill specifies that the Baltimore County homestead property tax credit percentage cannot exceed 3% for any taxable year. As discussed above, the homestead property tax credit cap in Baltimore County is currently set at 4%. Based on assessable base and homestead tax credit projections for fiscal 2019, it is estimated that Baltimore County property tax revenues will decrease by approximately \$1.9 million annually beginning in fiscal 2019.

Additional Information

Prior Introductions: None.

Cross File: SB 813 (Senator Salling) - Budget and Taxation.

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

Fiscal Note History: First Reader - February 4, 2018
md/hlb

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