

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 178 (Senator Amoss, et al.)
Budget and Taxation

Homestead Property Tax Credit - Homestead Credit Percentage

This bill repeals the authority of local governments to set a homestead property tax credit percentage below 10%. Under current law, local governments can set the credit between 0 and 10%. This bill is effective for all taxable years beginning after June 30, 1997.

Fiscal Summary

State Effect: None.

Local Effect: Assuming local property tax rates remain constant, local revenues could increase by around \$7.8 million beginning in FY 1998. Local expenditures would not be affected.

Fiscal Analysis

Local Revenues: The Homestead Tax Credit Program caps assessment growth that is subject to taxation at 10% annually. Since 1992, local governments have had the authority to set the assessment caps between 0 and 10% for local tax purposes. Currently, 9 counties and 23 municipalities have set homestead assessment tax caps below 10%, which is illustrated in **Exhibits 1 and 2**.

This bill would repeal a local government's authority to set assessment caps below 10%. Accordingly, \$368 million in assessable base that is not currently subject to taxation will become taxable beginning in fiscal 1998. If local property tax rates remain constant, local revenues could increase by \$7.8 million (\$7.7 million in county revenues and \$100,000 in municipal revenues). Future year revenues could increase by \$7 million in fiscal 1999 to \$5.7 million in fiscal 2001. Revenue increases are projected to decrease by 10% annually due to the slow down in assessable base growth. **Exhibit 2** provides a county-by-county

breakdown of the potential fiscal impact for the effective jurisdictions.

Exhibit 1
Homestead Assessment Caps Below 10%

| <u>County</u> | <u>Tax Cap</u> | <u>Effective Date</u> |
|-----------------|----------------|-----------------------|
| Anne Arundel | 4% | Effective FY 1994 |
| Baltimore City | 4% | Effective FY 1992 |
| Baltimore | 4% | Effective FY 1992 |
| Charles | 5% | Effective FY 1994 |
| Howard | 5% | Effective FY 1992 |
| Kent | 5% | Effective FY 1992 |
| Prince George's | 5% | Effective FY 1994 |
| Prince George's | 3% | Effective FY 1995 |
| St. Mary's | 5% | Effective FY 1997 |
| Talbot | 0% | Effective FY 1994 |

Information Source(s): Department of Assessments and Taxation, Department of Fiscal Services

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