Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 633 (Prince George's County Delegation)
Ways and Means

Prince George's County - Multifamily Occupancy Tax
PG 429-97

This bill authorizes the Prince George's County Council to enact a sales tax on the amounts charged by a landlord to a lessee for the rental of any space, facilities, or accommodations in or for a multifamily residential unit. This tax could not exceed 4% of the rental fee charged by a landlord and would be paid by the lessee.

This bill is effective July 1, 1997.

Fiscal Summary

State Effect: None.

Local Effect: Assuming voter approval by referendum, Prince George's County revenues would increase by $21 million beginning in FY 2000. Indeterminate increase in local expenditures.

Small Business Effect: Potential meaningful effect on small businesses as discussed below.

Fiscal Analysis

Local Revenues: This bill would increase Prince George's County revenues by an estimated $21 million in fiscal 2000. Although this bill would take effect on July 1, 1997, the imposition of the tax would be contingent upon voter approval by referendum at the general election in November 1998. Assuming that this tax is enacted by the County Council subject to referendum, its earliest effective date would be July 1, 1999, thus making fiscal 2000 the first year in which revenue would be collected.

The estimate of revenues is based on 1990 census data showing Prince George's County as having 86,000 multifamily rental units with an average rental of $607 per month. This would mean a gross revenue total of $626,424,000 that could potentially be taxed. Assuming 2.5% average annual growth in rentals and the assessment of a maximum 4% tax, total revenue would exceed $32 million in fiscal 2000. However, it is likely that the county would provide adjustments for low income and elderly residents, and that the county would also provide some type of tax credit for the first few hundred dollars of rental for all tenants. While it is not possible at this time to estimate the potential value of such credits, Prince George's County advises that it is reasonable to expect that the projected potential revenue from the tax would be no more than 2/3 of the full potential, or about $21 million.

Local Expenditures: Local administrative expenditures would increase to administer the tax, but the amount of that increase depends upon the extent and complexity of any tax exemptions. The county treasurer would be responsible for collecting taxes from landlords and performing compliance checks. It is estimated that no more than two additional positions would be required for the treasurer's office at a annual cost of between $75,000 and $100,000.

Small Business Effect: This bill would have an indeterminate effect on small businesses. It could increase the cost of leasing residential property by authorizing a sales tax levy of up to 4%. Thus, the cost of rental housing could increase to the extent that landlords pass the cost of the tax to tenants through increased rental fees. The profits of small businesses leasing residential property would be reduced to the extent that the cost of this sales tax is absorbed by property owners. In addition, landlord expenditures would increase due to the paperwork involved with collecting and forwarding the tax, but the county could cover some or all of those costs by allowing landlords to keep a percentage of taxes collected. The exact amount of increased expenditures is unknown at this time.

Information Source(s): Prince George's County, Department of Fiscal Services

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