

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE

Senate Bill 550 (Senator Frv)

Budget and Taxation

**Property Tax - Assessment Freeze for Elderly Homeowners**

This bill prohibits increases in the assessed value of residential property owned and occupied by an individual who is at least 68 years old with gross income of \$60,000 or less and a net worth not exceeding \$200,000. This restriction does not apply if during the previous calendar year: (1) the property was not the owner's principal residence; (2) ownership of the property changed; (3) the property value increased due to a change in zoning classification; (4) the use of the property changed substantially; (5) extensive improvements were made to the property; or (6) the previous assessment was erroneous.

This bill is effective July 1, 1998, and applies to assessments for all taxable years beginning after July 1, 1999.

**Fiscal Summary**

**State Effect:** State special fund revenues could decrease by \$301,000 in FY 2000, with out-year estimates reflecting increases in property values. State expenditures could increase by \$1.3 million in FY 1999 and by \$1.7 million in FY 2000. Future expenditure estimates reflect growth in salaries and decreases in operating expenses.

(in thousands)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
SF Revenues	0	(301)	(605)	(913)	(1,223)
GF Expenditures	1,300	1,700	1,700	2,000	1,800
Net Effect	(\$1,300)	(\$2,001)	(\$2,305)	(\$2,913)	(\$3,023)

Note: ( ) - decrease; GF - general funds; FF - federal funds; SF - special funds

**Local Effect:** Local revenues could decrease by \$4.0 million in FY 2000. Expenditures would not be affected.

**Small Business Effect:** None.

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## Fiscal Analysis

**State Revenues:** Freezing the property tax assessments of elderly homeowners could decrease State special fund revenues by an estimated \$301,000 in fiscal 2000. This decrease is based on the following facts and assumptions:

- 20% of owner-occupied properties would have assessments frozen;
- Property values will increase by approximately 1% annually;
- There were approximately 1.27 million owner-occupied property accounts in the State in fiscal 1998, with these accounts having a mean average full cash value of approximately \$138,200;
- Approximately 59,800 homeowners tax credit applicants would have qualified for an assessment freeze in fiscal 1998; and
- Approximately 110,000 tax credit applications are processed by the department annually.

Future revenue decreases would depend on increases in the assessed values of property and the number and value of assessments which are frozen, as well as those that no longer qualify for the assessment freeze.

**State Expenditures:** The State Department of Assessments and Taxation advises that there would be approximately 254,000 applicants for an assessment freeze, assuming a maximum participation rate. The department already processes applications for about 60,000 of these individuals through the homeowners tax credit program. Therefore, the department would be required to process an additional 194,000 applications annually.

Assuming that each office clerk processing applications is able to process 4,000 applications per year, the increased number of applications would require 48 additional Office Clerk II positions for the department. Since most applications for assessment freezes that would take effect in fiscal 2000 would be processed in fiscal 1999, expenditures would increase by approximately \$1.3 million in fiscal 1999. This estimate includes salaries of \$435,000, fringe benefits, one-time equipment purchases, and operating expenses. Total expenditures in fiscal 2000 would be an estimated \$1.7 million.

Legislative Services advises that the need for the additional positions to process the applications resulting from an assessment freeze will depend on the actual number of applications the department will receive on an annual basis. The specific increase in the number of applications that will be received cannot be reliably estimated at this time.

**Local Revenues:** Assuming that 20% of the owner-occupied residential property base is frozen and a 1% annual increase in property values, county revenues would decrease by approximately \$3.6 million and municipal revenues would decrease by \$361,000 in fiscal 2000. The total decrease in local revenues for fiscal 2000 would be an estimated \$4.0 million.

**Additional Comments:** A 1977 opinion of the Attorney General indicated that this type of property assessment modification could violate Article 15 of the Maryland Declaration of Rights, which requires that all “like” properties be assessed in an identical manner.

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**Information Sources:** Department of Assessments and Taxation, Department of Legislative Services

**Fiscal Note History:** First Reader - March 9, 1998

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