

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 287 (Delegate Frank. *et al.*)

Ways and Means

Property Tax - Homeowners' Circuit Breaker Property Tax Credit

This bill alters the computation of a homeowners' circuit breaker property tax credit by expanding four of the income brackets used in calculating the credit from \$4,000 to \$5,000 and expanding the top income bracket from \$16,000 to \$20,000. This has the effect of increasing the number of property owners eligible for the credit and increasing the amount of the credit for any given level of combined income.

This bill is effective July 1, 1998.

Fiscal Summary

State Effect: General fund expenditures would increase by \$10.1 million in FY 1999. Future year estimates reflect decreased credit expenditures. Revenues will not be affected.

(in millions)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	10.1	9.8	9.5	9.2	9.0
Net Effect	\$10.1	\$9.8	\$9.5	\$9.2	\$9.0

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

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

Background: The homeowners' circuit breaker property tax credit program is a State funded program that provides credits against State and local real property taxation for

qualifying homeowners. Originally enacted in 1975, the program is designed primarily to provide tax credits for elderly and disabled homeowners. Qualification is based on a sliding scale of property tax liability and income. Only the taxes associated with the first \$60,000 of assessed valuation of an individual's principal residence may qualify, and any taxpayer with a net worth of more than \$200,000 is ineligible for a credit.

State Expenditures: The Department of Assessments and Taxation paid approximately \$47.1 million in homeowners tax credits for fiscal 1997. These expenditures have gone to 70,895 homeowners for an average credit of \$665. This bill would increase the tax credit paid to each existing credit recipient and make more homeowners eligible to receive the credit. Based on the number of applications received in fiscal 1997, it is estimated that there are approximately 6,985 applicants who are not eligible under current law who would be eligible for a credit in fiscal 1999 under this bill. The total fiscal 1999 cost for these additional credits and for increased payments to current recipients is approximately \$8.4 million. It is also estimated that 3,200 applications would be received in fiscal 1999 from homeowners who did not previously apply because their incomes were too high to qualify for a credit. The cost of credits for these new applicants is estimated at \$1.7 million in fiscal 1999. The increase in additional credit expenditures for fiscal 1999 would total \$10.1 million.

General fund expenditures for the department could increase by an estimated \$25,500 in fiscal 1999. The estimate reflects the cost of hiring one Office Clerk II to assist in the processing of new credit applications. This estimate includes a salary, fringe benefits, and ongoing operating expenses. Future year expenditures reflect: (1) a 3.5% annual salary increase and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

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

Fiscal Note History: First Reader - February 16, 1998

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