

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

House Bill 462 (Delegate Cambell)

Ways and Means

**Income Tax Credit for State Transfer Tax Paid on Purchase of Home in Designated
Neighborhood Revitalization Areas**

This bill allows an individual who purchases a home in a designated neighborhood under the Neighborhood Business Development Program to claim a credit against the personal income tax equal to the State transfer tax paid. The credit is not refundable and may not be carried forward to another taxable year.

The bill takes effect July 1, 1999 and applies to all taxable years beginning after December 31, 1998.

Fiscal Summary

State Effect: Indeterminate minimal decrease in general fund revenues. No effect on expenditures.

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

State Revenues: The State property transfer tax is assessed at 0.5% of the consideration. The tax rate for first-time home buyers in Maryland is half that rate, of 0.25%, but the seller is required to pay that amount. Under the bill, only the home buyer would be eligible for the tax credit.

As a result of the credit, general fund revenues would decrease by an indeterminate amount. The extent of the decrease would depend on the number of homes sold each year within the

qualified neighborhood and the purchase price of the homes. Any decrease, however, is expected to be minimal. For illustrative purposes, if 100 homes are purchased each year and the average home price is \$50,000, the State transfer tax, and hence the credit amount, would be \$25,000 (or \$250 per home for non-first-time home buyers).

The Office of the Comptroller would incur one-time computer programming costs of \$42,200 to add the credit to the individual income tax return. The Department of Legislative Services advises that economies of scale regarding computer programming changes could be realized since there will be changes to the income tax processing system due to the 1997 income tax reduction which is phased-in through 2002.

Information Source(s): Comptroller of the Treasury (Bureau of Revenue Estimates), Department of Assessments and Taxation, Department of Legislative Services

Fiscal Note History: First Reader - March 8, 1999

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