

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

House Bill 985 (Delegate Patterson, *et al.*)

Ways and Means

Veterans' Vocational Training, Employment, and Housing Act of 1999

This bill creates a Veterans' Job Training and Placement Program within the Department of Labor, Licensing, and Regulation to promote private sector involvement in vocational training and job placement for veterans through the award of grants. The bill requires the Governor to include in the State budget each fiscal year an appropriation for the grants of at least \$1 million.

The bill also creates an income tax subtraction modification equal to 100% of the first \$1,000 in wages paid to each "qualified veteran" hired during the taxable year. In addition, the bill creates a property tax credit equal to 100% of State and local property taxes for veterans who are first-time home buyers. The property tax credit is only available in the first taxable year following the purchase of the home. Veterans who are first-time home buyers are also exempt from the recordation tax and the county transfer tax for 50% of the consideration payable or principal amount of the debt secured under the instrument.

The bill takes effect July 1, 1999.

Fiscal Summary

State Effect: General fund administrative expenditures could increase by \$192,200 in FY 2000. Assuming an appropriation of \$1 million for grants beginning in FY 2001, general fund expenditures would increase by about \$1.15 million beginning in FY 2001. General and special fund revenues decrease by at least \$225,200 and \$75,100, respectively, in FY 2000. Future year revenue losses reflect a full fiscal year's loss.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	(\$225,200)	(\$450,500)	(\$450,500)	(\$450,500)	(\$450,500)
SF Revenues	(\$75,100)	(\$225,200)	(\$225,200)	(\$225,200)	(\$225,200)
GF Expenditures	\$192,200	\$1,150,000	\$1,150,000	\$1,160,000	\$1,160,000
Net Effect	(\$492,500)	(\$1,750,000)	(\$1,750,000)	(\$1,760,000)	(\$1,760,000)

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

Local Effect: Local and municipal revenues could decrease by an indeterminate but potentially significant amount. No effect on revenues. **This bill imposes a mandate on a local government unit.**

Small Business Effect: Minimal.

Fiscal Analysis

State Revenues: A qualified veteran under the bill is an individual who has served on active duty in the United States armed forces and who either has received cash assistance for at least three months or was unemployed for at least six months. In 1997, the most recent year for which data is available, there were 519,400 veterans living in Maryland. The number who would qualify under the bill, however, cannot be reliably estimated at this time.

According to the Division of Employment Services within the Department of Labor, Licensing, and Regulation (DLLR), 26,714 veterans received assistance with job placement from the division in fiscal 1998 and of that number, 7,369 veterans were placed in a job. The division projects that 28,000 veterans will receive services in fiscal 1999 and 7,800 of these individuals will be placed in a job. Most of these individuals were unemployed at the time of service.

Assuming that the bill increases job placement for veterans, State revenues could decrease by \$300,300 in fiscal 2000, which reflects the cost for one-half of tax year 1999. The estimate assumes that about 8,600 qualified veterans are hired each year and the \$1,000 subtraction for each qualified veteran is taken against the corporate income tax. Of this amount 25% is distributed to the Transportation Trust Fund (TTF), thus, general fund revenues are estimated to decrease by \$225,225 and special fund revenues are estimated to decrease by \$75,075 in fiscal 2000. Future year estimates reflect a full year's loss.

State revenues would also decrease as a result of the exemption from State property taxes. The extent of the decrease will depend on the number of qualified veterans who are first-time home buyers and the value of the property. **Exhibit 1** shows the revenue loss, by county, from the sale of a median-priced home. Consequently, State property tax revenues to the

State Annuity Bond Fund would decrease and general fund expenditures would increase by an corresponding amount to meet the State's obligation on debt financing.

Because a portion of local recordation tax revenues is distributed to the general fund, State revenues will decrease as a result of the exemption from 50% of recordation taxes.

State Expenditures: Assuming an appropriation for grants of \$1 million is provided in the fiscal 2001 budget, general fund expenditures would increase by a corresponding amount. Administrative expenditures for DLLR could increase by \$192,218 in fiscal 2000, which reflects a nine-month start-up before the program becomes operational in fiscal 2001. The estimate accounts for three staff persons to assist in placing veterans in training programs and to promote private involvement with training. The department assumes that approximately 300 individuals could be placed in a training program each year. The cost estimate reflects salaries, fringe benefits, one-time start-up costs and ongoing operating expenses. The estimate for fiscal 2000 also includes \$73,000 in costs for marketing and informational mailings to veterans.

Local Revenues: Local revenues would decrease as a result of the exemption from local property, transfer, and recordation taxes. The extent of the decrease will depend on the number of qualified veterans who are first-time home buyers and the value of the property. **Exhibit 1** shows the revenue loss for each qualified home purchase. Revenues to towns and special taxing districts will also decrease as a result of this bill.

In addition, local revenues would decrease by \$22,500 in fiscal 2000 and by \$45,000 annually, beginning in fiscal 2001 since a portion of the TTF is distributed to local governments.

Information Source(s): Department of Labor, Licensing, and Regulation; Comptroller of the Treasury (Bureau of Revenue Estimates); Department of Assessments and Taxation; Washington, Worcester, and Prince George's counties; Department of Legislative Services

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Analysis by: Lina Walker

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510

Exhibit 1: County Revenue Loss and State Property Tax Loss from the Sale of a Median-Priced Home
 Excluding towns and special taxing districts

<u>Jurisdiction</u>	<u>Median Sale Price</u>	<u>State Prop. Tax Rate</u>	<u>Local Prop. Tax Rate*</u>	<u>Record. Tax Rate</u>	<u>Local Trans. Tax Rate</u>	<u>Local Prop. Tax Loss#</u>	<u>Record. Tax Loss</u>	<u>Local Trans. Tax Loss</u>	<u>Total Local Loss</u>	<u>State Prop. Tax Loss#</u>
Allegany	\$58,000	0.21	2.470	2.20	0.2	\$539	\$128	\$58	\$725	\$46
Anne Arundel	\$144,000	0.21	2.360	3.50	1.0	\$1,291	\$504	\$720	\$2,515	\$115
Baltimore City	\$61,900	0.21	5.820	2.75	1.5	\$1,412	\$171	\$464	\$2,047	\$51
Baltimore	\$117,000	0.21	2.855	2.50	1.5	\$1,269	\$293	\$878	\$2,439	\$93
Calvert	\$152,250	0.21	2.230	3.30	0.0	\$1,277	\$504	\$0	\$1,781	\$120
Carroll	\$150,000	0.21	2.620	3.50	0.0	\$1,525	\$525	\$0	\$2,050	\$122
Caroline	\$92,000	0.21	2.380	3.30	0.5	\$832	\$304	\$230	\$1,366	\$73
Cecil	\$119,750	0.21	2.450	2.20	0.0	\$1,115	\$264	\$0	\$1,379	\$96
Charles	\$149,900	0.21	2.440	5.00	0.0	\$1,390	\$750	\$0	\$2,140	\$120
Dorchester	\$78,500	0.21	2.195	3.30	1.0	\$634	\$259	\$393	\$1,286	\$61
Frederick	\$141,923	0.21	2.260	3.50	0.0	\$1,219	\$497	\$0	\$1,716	\$113
Garrett	\$71,950	0.21	2.590	3.50	1.0	\$641	\$252	\$360	\$1,253	\$52
Harford	\$130,350	0.21	2.730	3.30	1.0	\$1,324	\$431	\$652	\$2,406	\$102
Howard	\$170,340	0.21	2.820	2.50	1.0	\$1,694	\$427	\$852	\$2,972	\$126
Kent	\$96,000	0.21	2.330	3.30	0.5	\$832	\$317	\$240	\$1,389	\$75
Montgomery	\$179,900	0.21	2.578	2.20	1.0	\$1,342	\$396	\$900	\$2,638	\$109
Prince George's*	\$129,900	0.21	3.224	2.20	1.4	\$1,217	\$286	\$909	\$2,412	\$79
Queen Anne's	\$143,000	0.21	2.190	3.30	0.5	\$1,165	\$472	\$358	\$1,995	\$112
St. Mary's	\$135,000	0.21	2.080	3.30	1.0	\$1,067	\$446	\$675	\$2,188	\$108
Somerset	\$64,950	0.21	2.150	1.65	0.0	\$531	\$108	\$0	\$639	\$52
Talbot	\$130,000	0.21	1.390	3.30	1.0	\$687	\$429	\$650	\$1,766	\$104
Washington	\$106,338	0.21	2.310	3.80	0.0	\$924	\$405	\$0	\$1,329	\$84
Wicomico	\$92,000	0.21	2.250	2.30	0.5	\$778	\$212	\$230	\$1,220	\$73
Worcester	\$97,000	0.21	1.720	3.30	0.5	\$601	\$320	\$243	\$1,164	\$73

* - rates are for non-municipal areas and include county-wide rates for specific purposes such as fire, roads, parks, etc.

- based on assessment and not sale price

