

**Department of Legislative Services**  
Maryland General Assembly  
2000 Session

**FISCAL NOTE**

Senate Bill 840 (Senator Sfikas. *et al.*)

Budget and Taxation

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**Veterans' Vocational Training, Employment, and Housing Act of 2000**

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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 awarding of grants. The bill requires the Governor to include in the State budget an appropriation for the grants of at least \$300,000 each fiscal year.

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.

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, 2000.

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**Fiscal Summary**

**State Effect:** General fund administrative expenditures could increase by \$67,900 in FY 2001. Assuming an appropriation of \$300,000 for grants beginning in FY 2002, general fund expenditures would increase by approximately \$385,000 in FY 2002. General and special fund revenues could decrease by at least \$225,200 and \$75,100, respectively, in FY 2001. Future year revenue losses reflect a full fiscal year's loss.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
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	\$67,900	\$385,000	\$387,800	\$390,800	\$393,900
Net Effect	(\$368,200)	(\$1,060,700)	(\$1,063,500)	(\$1,066,500)	(\$1,069,600)

*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 unit of local government.**

**Small Business Effect:** Minimal.

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## Analysis

**Current Law:** A veteran with a service connected 100% disability or the surviving spouse of a deceased veteran may receive a complete and permanent exemption from real property taxes on the dwelling house and surrounding yard.

**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 1999, there were 505,300 veterans living in Maryland. The number of veterans that 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), 21,877 veterans received assistance with job placement from the division in fiscal 1999, and of that number, 6,804 veterans were placed in a job. Most of the veterans who received assistance 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 2001, which reflects the cost for one-half of tax year 2000. 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, in fiscal 2001, general fund revenues are estimated to decrease by \$225,225 and special fund revenues are estimated to decrease by \$75,075. 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 a 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 that an appropriation for grants of \$300,000 is provided in the fiscal 2002 budget, general fund expenditures would increase by a corresponding amount.

Administrative expenditures for DLLR could increase by \$67,900 in fiscal 2001, which reflects a nine-month start-up before the program becomes operational in fiscal 2002. 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.

**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 2001 and by \$45,000 annually, beginning in fiscal 2002 since a portion of the TTF is distributed to local governments.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** HB 1145 (Delegate Patterson, *et al.*) - Ways and Means.

**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

**Fiscal Note History:** First Reader - March 13, 2000  
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**Exhibit 1: County Revenue Loss and State Property Tax Loss from the Sale of a Median-Priced Home  
Excluding Towns and Special Taxing Districts**

<b><u>Jurisdiction</u></b>	<b><u>Median Sale Price</u></b>	<b><u>State Prop. Tax Rate</u></b>	<b><u>Local Prop. Tax Rate</u></b>	<b><u>Recordation Tax Rate</u></b>	<b><u>Transfer Tax Rate</u></b>	<b><u>Local Prop. Tax Loss</u></b>	<b><u>Recordation Tax Loss</u></b>	<b><u>Local Trans. Tax Loss</u></b>	<b><u>Total Local Loss</u></b>	<b><u>State Prop. Tax Loss</u></b>
Allegany	\$60,000	0.210%	2.470%	2.200%	0.200%	\$593	\$132	\$60	\$785	\$48
Anne Arundel	\$149,000	0.210%	2.360%	3.500%	1.000%	\$1,407	\$522	\$745	\$2,673	\$119
Baltimore City	\$70,000	0.210%	5.820%	2.750%	1.500%	\$1,630	\$193	\$525	\$2,347	\$56
Baltimore	\$121,500	0.210%	2.855%	2.500%	1.500%	\$1,388	\$304	\$911	\$2,603	\$97
Calvert	\$154,900	0.210%	2.230%	3.300%	0.000%	\$1,382	\$511	\$0	\$1,893	\$124
Caroline	\$98,000	0.210%	2.380%	3.300%	0.500%	\$933	\$323	\$245	\$1,501	\$78
Carroll	\$155	0.210%	2.620%	3.500%	0.000%	\$2	\$1	\$0	\$2	\$0
Cecil	\$125,000	0.210%	2.450%	2.200%	0.000%	\$1,225	\$275	\$0	\$1,500	\$100
Charles	\$151,000	0.210%	2.490%	5.000%	0.000%	\$1,504	\$755	\$0	\$2,259	\$120
Dorchester	\$84,900	0.210%	2.175%	3.300%	1.000%	\$739	\$280	\$425	\$1,443	\$68
Frederick	\$149,900	0.210%	2.260%	3.500%	0.000%	\$1,355	\$525	\$0	\$1,880	\$120
Garrett	\$75,650	0.210%	2.590%	3.500%	1.000%	\$784	\$265	\$378	\$1,427	\$60
Harford	\$139,000	0.210%	2.730%	3.300%	1.000%	\$1,518	\$459	\$695	\$2,672	\$111
Howard	\$188,375	0.210%	2.610%	2.500%	1.000%	\$1,967	\$471	\$942	\$3,379	\$150
Kent	\$120,000	0.210%	2.330%	3.300%	0.500%	\$1,118	\$396	\$300	\$1,814	\$96
Montgomery	\$186,000	0.210%	1.863%	2.200%	1.000%	\$1,386	\$409	\$930	\$2,725	\$148
Prince George's	\$137,000	0.210%	2.411%	2.200%	1.400%	\$1,321	\$301	\$959	\$2,582	\$109
Queen Anne's	\$150,000	0.210%	2.190%	3.300%	0.500%	\$1,314	\$495	\$375	\$2,184	\$120
St. Mary's	\$141,920	0.210%	2.080%	3.300%	1.000%	\$1,181	\$468	\$710	\$2,359	\$113
Somerset	\$65,200	0.210%	2.150%	1.650%	0.000%	\$561	\$108	\$0	\$668	\$52
Talbot	\$139,300	0.210%	1.390%	3.300%	1.000%	\$775	\$460	\$697	\$1,931	\$111
Washington	\$110,000	0.210%	2.310%	3.800%	0.000%	\$1,016	\$418	\$0	\$1,434	\$88
Wicomico	\$98,800	0.210%	2.250%	2.300%	0.000%	\$889	\$227	\$0	\$1,116	\$79
Worcester	\$104,900	0.210%	1.740%	3.300%	0.500%	\$730	\$346	\$262	\$1,339	\$84