

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 206 (Delegate Campbell)
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, 2000, and applies to all taxable years beginning after December 31, 1999.

Fiscal Summary

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: No tax credit of this type exists.

State Fiscal Effect: The State property transfer tax is assessed at 0.5% of the value of a new home paid by the purchaser, except in the case of first-time home buyers. The tax rate for first-time home buyers in Maryland is half that rate, or 0.25%, which the seller is required to pay. Under the bill, only the home buyer would be eligible for the tax credit. The extent of the revenue decrease from the tax credit depends 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 nonfirst-time home buyers).

The Office of the Comptroller would incur one-time computer programming costs of \$43,500 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.

Additional Information

Prior Introductions: This bill was introduced during the 1999 session as HB 462 and received an unfavorable report from the House Ways and Means Committee.

Cross File: None.

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 - January 28, 2000
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