

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

**FISCAL NOTE**

House Bill 1009 (Prince George’s County Delegation)

Ways and Means

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**Prince George’s County - Property and Income Taxes - Neighborhood Stabilization Credits**  
**PG 408-00**

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This bill authorizes Prince George’s County to establish a neighborhood stabilization property tax credit for owner-occupied, residential real property purchased in designated neighborhoods from July 1, 2000, through June 30, 2002.

The bill is effective June 1, 2000, and is applicable to all taxable years for income tax purposes beginning after December 31, 2000. Prince George’s County must report by October 1, 2002, to the General Assembly on the impact on the neighborhoods that are targeted.

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**Fiscal Summary**

**State Effect:** General fund revenues could decline by an estimated \$15,900 in FY 2002 and by \$31,800 annually beginning in FY 2003 through FY 2006. No effect on expenditures.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	\$0	(\$15,900)	(\$31,800)	(\$31,800)	(\$31,800)
GF Expenditures	0	0	0	0	0
Net Effect	\$0	(\$15,900)	(\$31,800)	(\$31,800)	(\$31,800)

*Note: ( ) = decrease; GF = general funds*

**Local Effect:** Prince George’s County property tax revenues could decline by an estimated \$15,900 in FY 2002 and \$31,000 in FY 2003 annually through FY 2006 if the county establishes the credits. Expenditures would not be affected.

**Small Business Effect:** None.

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## Analysis

**Bill Summary:** Prince George's County may grant a ten-year property tax credit against the county property tax imposed on owner-occupied residential real property that is purchased from July 1, 2000, through June 30, 2002, in two geographic areas designated by the county. It also provides for a State income tax credit equal to the property tax credit. The two geographic areas may contain up to 2,500 single-family dwellings in the aggregate and must be designated by the county for participation in a demonstration project for preservation and stabilization.

The designated areas must be located in two of the following areas: (1) a priority funding area; (2) a revitalization tax credit district; and (3) an enterprise zone. The County Executive must hold a public hearing prior to the final designation of the geographic areas and the designation must be made by regulation adopted by the County Executive and approved by the County Council.

Property owners would qualify for tax credits under this legislation if they purchase residential property in designated geographic areas from July 1, 2000, through June 30, 2002, as long as they did not own property in the geographic areas during the 12 months immediately prior to the purchase.

The tax credit equals 40% of the county property tax due for each of the first five years after purchase, and declines by 5% annually until the tenth year. After the tenth year, the credit expires. The credit first applies to the taxable year beginning after the date of purchase and the individual must apply for the credit at least six months after the property has been transferred. The State income tax credit follows the same provisions as the property tax credit.

**Current Law:** A neighborhood stabilization tax credit does not exist in Prince George's County. However, a similar program exists in Baltimore City and Baltimore County.

**Background:** In Baltimore City and Baltimore County, the Neighborhood Stabilization and Preservation Act of 1996 provides the same tax credit for property taxes on owner-occupied residential property bought in designated neighborhoods in Baltimore City and Baltimore County between July 1, 1996, and June 30, 1999. This date was extended until June 30, 2001, by Chapter 319 of 1999. Chapter 319 also increased the number of dwellings eligible for the program in Baltimore City to 1,500 and in Baltimore County to 1,400.

The table below shows the State and local revenue loss for the program from fiscal 1997 through fiscal 2000 if all applicants claim the credit.

**Neighborhood Preservation and Stabilization Act Demonstration Program**

	<u>Baltimore City</u>	<u>Baltimore County</u>
Total Number of Applicants	47	97
Average Home Assessment	\$16,460	\$28,720
Local Property Tax Rate per \$100 Assessment	\$5.82	\$2.855
Average Property Tax	\$958	\$820
Total Local Revenue Loss	\$18,010	\$31,816
Total State Revenue Loss*	\$18,010	\$31,816

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\* To date, not all applicants have claimed the State income tax credit

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**State Revenues:** General fund revenues could decrease by an estimated \$15,900 in fiscal 2002 due to income tax credits, based on the following facts and assumptions:

- two neighborhoods are designated;
- there are 2,500 homes in the designated areas;
- 2% of the homes will be purchased each year;
- the average home sales price in Prince George's County is \$137,000;
- the sale price in the designated neighborhoods equals 60% of the average price in the county, i.e, \$82,200; and
- the property tax rate will be \$2.414.

The property tax credit granted for each house would be \$318 (40% of the property tax, estimated at \$794). The property tax credits granted for the 50 properties sold in each of the two applicable years would be \$15,900. Because the property tax credit will not be granted until the year after purchase, the first credits will not be granted until fiscal 2002. The revenue loss will increase by \$15,900 in fiscal 2003 for a revenue loss of \$31,800. No new credits will be granted after this, so the revenue loss will continue at this level through 2006, and then decline by 5% incrementally through the following six years, after which the program will end.

**Local Revenues:** Following the above facts and assumptions, Prince George's County property tax revenues would decline in the same pattern as State revenues. That is, property tax revenues could decrease by an estimated \$15,900 in fiscal 2002. The revenue loss in fiscal 2003 will double for a loss of \$31,800 and will even out for the following three years and then decline by 5% incrementally through the following six years, after which the program will end.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Assessments and Taxation, Prince George's County,  
Department of Legislative Services

**Fiscal Note History:** First Reader - March 6, 2000  
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