

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

House Bill 1122 (Delegate Bohanan, *et al.*)
Ways and Means

Budget and Taxation

Property Tax - Surviving Spouse of Active Military Who Died in Line of Duty

This bill provides a real property tax exemption for the surviving spouse of “an individual who died in the line of duty.” The surviving spouse must not have remarried. The property must have been: (1) owned at the time of the individual’s death; (2) purchased within two years of the death if the individual or spouse were domiciled in the State at the time of death; or (3) acquired after the surviving spouse qualified for the exemption for a former house, to the extent of the previous exemption.

The bill is effective June 1, 2001 and applies to taxable years beginning June 30, 2001.

Fiscal Summary

State Effect: Annuity Bond Fund revenues could decrease by approximately \$12,000 annually with a corresponding increase in general fund expenditures.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
SF Revenue	(\$12,000)	(\$12,000)	(\$12,000)	(\$12,000)	(\$12,000)
GF Expenditure	12,000	12,000	12,000	12,000	12,000
Net Effect	(\$24,000)	(\$24,000)	(\$24,000)	(\$24,000)	(\$24,000)

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

Local Effect: Local property tax revenues could decrease by approximately \$160,000 annually.

Small Business Effect: None.

Analysis

Bill Summary: “Individual who died in the line of duty” means an individual who died while in the active military, naval, or air service of the United States as a result of an injury or disease that is deemed under federal law to have been incurred in the line of duty.

Current Law: The real property of a surviving spouse of a disabled veteran is exempt from taxation but not the real property of a surviving spouse of a member of the military who died in the line of duty.

Background: The State real property tax rate is \$.084 per \$100 of assessed value. All State property tax revenues are credited to a special fund, the Annuity Bond Fund, dedicated exclusively to paying the debt service on State general obligation bonds. Local governments generally have the authority to set their own property tax rates.

State Revenues: Special fund revenues could decrease by approximately \$12,180 annually. According to the U.S. Department of Defense, approximately 800 surviving spouses of military members who died in the line of duty currently live in Maryland. Assuming that most of the surviving spouses were under the age of 44 at the time of the veteran’s death, statistics indicate that about 50% would have remarried. Based on information from the U.S. Census Bureau, approximately 25% would have owned property. Consequently, of the 800 surviving spouses residing in Maryland, it is estimated that 100 would qualify and apply for the exemption. In fiscal 2000, the median sale price of owner-occupied properties in Maryland was \$145,000. Applying the State property tax rate of \$.084 per \$100 of assessment, the State property tax loss per exemption would be \$121.80 and \$12,180 for the 100 estimated exemptions. The actual revenue loss would depend on the number of surviving spouses that apply for the credit and the assessed value of the home.

State general fund expenditures would increase in an amount equal to the decrease in the Annuity Bond Fund revenues in order to meet debt service payments.

Local Revenues: Local property tax revenues could decrease by approximately \$159,500 annually for the estimated 100 exemptions. This estimate is based upon the median home value of \$145,000 and an average local property tax rate of \$1.10. The actual revenue loss would depend on the number of surviving spouses that apply for the credit, the assessed value of the home, and the applicable tax rate in the county or municipality.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): U.S. Department of Defense; U.S. Census Bureau; Department of Assessments and Taxation; Charles, Frederick, Montgomery, and Prince George's counties; Towns of Bel Air and Leonardtown; Department of Legislative Services

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